

❖ Money as a Medium of Exchange

✔ Definition:

Money as a medium of exchange means it is something that is commonly accepted in exchange for goods and services. It solves the limitations of the barter system, where goods were exchanged directly for other goods.

❖ Before Money: The Barter System

- People exchanged goods without using money (e.g., wheat for milk).
- Problems with barter:
 1. Double coincidence of wants - Both people had to want what the other offered.
 2. No standard measure of value.
 3. Difficult to store or save wealth.
 4. Hard to make payments over long distances or time.

❖ Why Money Was a Game-Changer

Money was introduced to eliminate the problems of the barter system. It became a common medium that everyone accepted in return for goods or services.

❖ Features of Money as a Medium of Exchange:

1. Widely accepted by all in the economy.
2. Makes buying and selling easier.
3. Facilitates indirect exchange (you don't need to find someone who wants your goods).
4. Helps in trade and economic growth.

🏠 Example:

If Rina wants to buy rice from a shopkeeper:

- She gives money (not wheat or cloth).
- The shopkeeper accepts the money and gives her rice.
- The shopkeeper can then use that money to buy something else.

❖ Modern forms of money :

✔ 1. Currency (Cash)

- Includes paper notes and coins.
- Issued by the Reserve Bank of India (RBI).
- Legally accepted as a medium of exchange.
- Example: ₹10 note, ₹2 coin.

✔ 2. Bank Deposits

- People deposit their money in banks.
- They can withdraw cash or make payments without using physical money.
- Banks keep money safe and allow it to be used when needed.

✔ 3. Cheques

- A cheque is a written order to a bank to pay a specific amount to someone.
- Used for safe and large transactions.

- No need to carry cash.

✓ 4. Debit Cards / ATM Cards

- Linked to your bank account.
- You can use them to:
 - Withdraw money from ATMs
 - Pay directly in shops
- Fast and secure.

✓ 5. Credit Cards

- Allows you to buy now and pay later.
- Issued by banks or financial companies.
- Useful for online and emergency purchases.

✓ 6. Online Banking / Net Banking

- Use the internet to:
 - Transfer money
 - Pay bills
 - Check balances
- No need to visit the bank.

✓ 7. Mobile Payments / UPI (Unified Payments Interface)

- Use apps like:
 - PhonePe
 - Google Pay
 - Paytm
- Instantly send or receive money with your phone.
- Widely used in India for daily purchases.

✓ 8. E-Wallets / Digital Wallets

- Store money in a mobile app.
- Example: Paytm wallet, Amazon Pay.
- Used for mobile recharge, shopping, food delivery, etc.

✓ 9. NEFT / RTGS / IMPS

- Electronic methods to transfer money between banks.
- Used for business and personal payments.

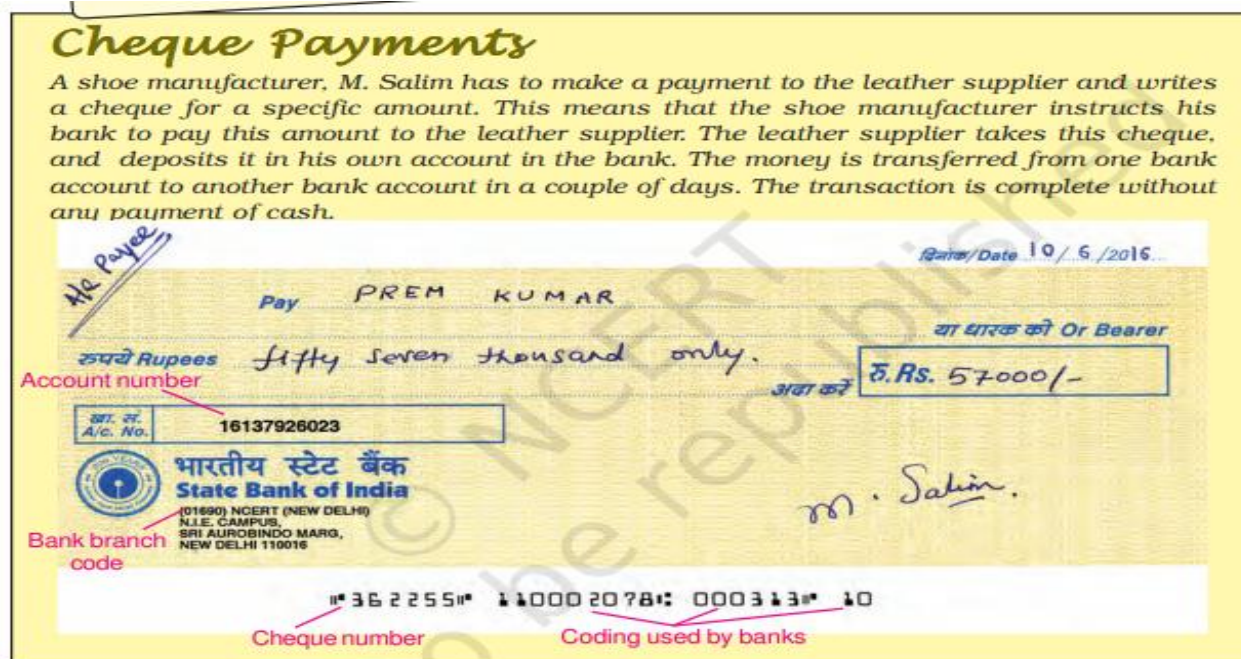
✓ 10. Cryptocurrency (New and Emerging)

- Digital money like Bitcoin, Ethereum.
- Not issued by any government.
- Not legal tender in India, but known globally.

📖 SHORT NOTES :

Type	Used For	Example
1) Cash	Daily small purchases	₹10, ₹50, ₹100 notes
2) Cheques	Safe large transactions	Bank cheque

Type	Used For	Example
3) Debit/Credit Cards	Shopping, ATM withdrawals	Visa, MasterCard
4) Mobile Payments/UPI	Instant payments via phone	Google Pay, PhonePe
5) Online Banking	Managing account & bills online	SBI Net Banking, HDFC Net
6) Digital Wallets	App-based payments	Paytm, Amazon Pay



◆ 1. What does SHG stand for?

- A. Self-Help Government
- B. Small Help Group
- C. Self-Help Group
- D. Single Handed Group

✓ Answer: C. Self-Help Group

◆ 2. SHGs are mostly formed by:

- A. Bankers
- B. Businessmen
- C. Politicians
- D. Poor women

✓ Answer: D. Poor women

◆ 3. SHGs usually consist of how many members?

- A. 2-5
- B. 5-10
- C. 10-20
- D. 20-50

✓ Answer: C. 10-20

◆ 4. Why do SHGs collect small savings from members?

- A. To give to the government
- B. To keep in lockers
- C. To provide loans to group members
- D. To donate to NGOs

✓ Answer: C. To provide loans to group members

◆ 5. Which of these is a major goal of SHGs?

- A. Increase inflation
- B. Encourage foreign investment
- C. Provide formal credit to the poor
- D. Promote luxury goods

✓ Answer: C. Provide formal credit to the poor

◆ 6. SHGs help in reducing:

- A. Unemployment
- B. Gender equality
- C. Dependence on moneylenders
- D. Government salaries

✓ Answer: C. Dependence on moneylenders

◆ 7. SHG loans are generally:

- A. Interest-free
- B. With very high interest
- C. With reasonable interest
- D. In the form of gold

✓ Answer: C. With reasonable interest

◆ 8. Which government mission supports SHGs in India?

- A. Digital India
- B. NRLM (National Rural Livelihood Mission)
- C. PMKVY
- D. NITI Aayog

✓ Answer: B. NRLM (National Rural Livelihood Mission)

◆ 9. A woman from an SHG took a loan to start a tailoring shop. This is an example of:

- A. Foreign investment
- B. Self-employment
- C. Barter system
- D. Government job

✓ Answer: B. Self-employment

◆ 10. SHGs help in:

- A. Increasing poverty
- B. Empowering poor women
- C. Exporting goods
- D. Collecting taxes

✓ Answer: B. Empowering poor women

◆ 11. Where do SHGs usually keep their savings?

- A. In a classroom
- B. In a bank account
- C. With the village head
- D. At home

✓ Answer: B. In a bank account

◆ 12. SHGs help promote:

- A. Informal credit
- B. Formal credit and savings
- C. Internet services
- D. Barter exchange

✓ Answer: B. Formal credit and savings

◆ 13. Who decides how much loan to give in an SHG?

- A. Government
- B. Bank manager
- C. Group members themselves
- D. Panchayat

✓ Answer: C. Group members themselves

◆ 14. Collateral means:

- A. Money gift
- B. Security against loan
- C. Tax document
- D. Interest-free money

✓ Answer: B. Security against loan

◆ 15. Which of the following is a benefit of SHGs?

- A. High interest rates
- B. Dependency on landlords
- C. Sharing of risks and responsibilities
- D. Promoting luxury brands

✓ Answer: C. Sharing of risks and responsibilities

◆ 16. Which bank often links SHGs to provide loans?

- A. RBI
- B. State Bank of India
- C. Indian Overseas Bank
- D. Any commercial or rural bank

✓ Answer: D. Any commercial or rural bank

◆ 17. What makes SHGs more trustworthy to banks?

- A. Their location
- B. Their income
- C. Their record of timely repayment
- D. Their caste

✓ Answer: C. Their record of timely repayment

◆ 18. SHGs help reduce:

- A. Bank profits
- B. The role of women in society
- C. Rural poverty
- D. Rural schools

✓ Answer: C. Rural poverty

◆ 19. In SHGs, decisions are usually taken:

- A. By vote
- B. By government officials
- C. By the richest member
- D. By the bank

✓ Answer: A. By vote

◆ 20. Which of these is an outcome of SHGs?

- A. Dependence on moneylenders
- B. Unemployment
- C. Women's empowerment
- D. Corruption

✓ Answer: C. Women's empowerment

❖ Loan Activities of Banks - Simple Explanation

Banks do much more than just keeping your money safe. One of their **main activities** is giving **loans** to people and businesses. This helps the economy grow and creates more jobs and opportunities.

✓ 1. Banks Accept Deposits

- People deposit their **money in banks** for safety and interest.
- These deposits can be:
 - **Savings Account**
 - **Current Account**
 - **Fixed Deposit**

Example: You deposit ₹10,000 in your savings account. The bank gives you interest (e.g., 4%).

✓ 2. Banks Keep a Small Portion of Deposits

- Banks **do not keep all the deposited money** in their vaults.

- They keep only a **small portion (about 15%)** to meet daily withdrawal needs.

📄 Example: Out of ₹10,000 deposited, ₹1,500 is kept aside. The rest is used for loans.

✅ 3. Banks Give Loans with the Rest of the Money

- The **remaining money** is used to give **loans** to:
 - Farmers (for seeds, tools)
 - Small businesses (for machines, shops)
 - Students (for education)
 - Consumers (for homes, cars, etc.)

Example: A shopkeeper takes a loan of ₹5 lakh to expand his store.

✅ 4. Borrowers Pay Interest on Loans

- People who take loans **pay interest** to the bank.
- This interest is **higher than what the bank pays to depositors**.

Example:

- Bank gives 4% interest to depositors
 - Bank charges 10% interest from borrowers
 - **Profit = 10% - 4% = 6%**
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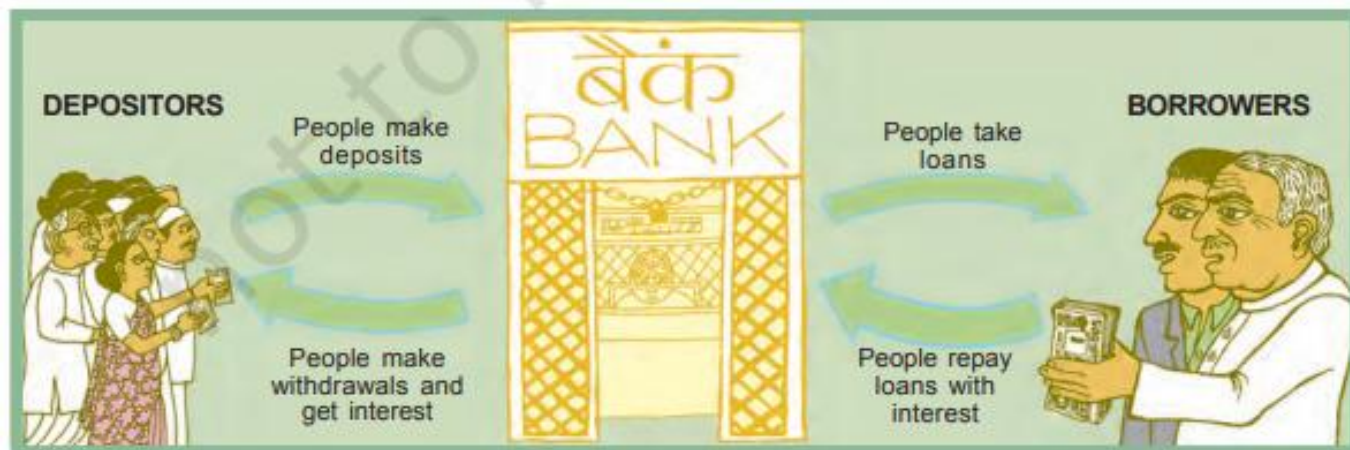
✅ 5. Banks Earn Profit

- The **difference** between the interest they **earn from loans** and **pay on deposits** is their **main source of income**.
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🔄 Flow of Loan Activity in a Bank:

1. People deposit money in banks
2. Bank keeps a small part for withdrawals
3. The rest is loaned out to others
4. Bank earns interest from borrowers
5. Bank pays interest to depositors

6. Bank earns **profit** from the difference



❖ Two Different Credit Situations

◆ 1. Credit Helps - Positive Credit Situation

◆ Example: Salim the Farmer (Good Outcome)

- Salim borrows ₹1 lakh from a bank to buy **seeds, fertilizers, and a water pump.**
- He uses the loan wisely, has a **good harvest**, and earns ₹2 lakhs.
- He repays the loan on time and makes a **profit.**

✓ Result:

- Credit helped Salim increase his income.
- He improved his business and became more confident.

◆ 2. Credit Hurts - Negative Credit Situation

◆ Example: Ram the Farmer (Bad Outcome)

- Ram borrows ₹1 lakh from a moneylender for farming.
- Due to **poor rainfall**, his crop fails.
- He earns very little and **cannot repay** the loan.
- The moneylender charges **high interest**, and Ram falls into a **debt trap.**

✗ Result:

- Credit became a burden.
- Ram now owes even more money and faces stress and loss.

Summary of the Two Credit Situations:

Situation	Salim (Positive)	Ram (Negative)
Purpose of Loan	Farming tools and seeds	Farming
Outcome	Good harvest and profit	Crop failure
Loan Repayment	On time	Could not repay
Final Result	Credit was helpful	Credit caused debt and loss

❖ Terms of Credit

When someone borrows money (takes credit), they have to follow certain **rules and conditions**. These are called the **terms of credit**.



❖ What Are Terms of Credit?

Terms of credit are the conditions agreed upon by the **borrower and the lender** before a loan is given.

❖ Main Components of Terms of Credit:

Term	Meaning	Example
1. Interest Rate	The extra money the borrower must pay along with the loan amount.	10% per year
2. Collateral	An asset (like land, house, or gold) given as security for the loan.	Land, gold, vehicle, etc.
3. Loan Amount	The total money being borrowed.	₹50,000, ₹5 lakhs, etc.
4. Mode of Repayment	How the loan will be repaid: monthly, yearly, in cash or cheque.	Monthly installments (EMIs)
5. Duration of Loan	The time period within which the loan must be repaid.	6 months, 1 year, etc.

◆ 1. What does the term "credit" mean in economics?

- A. Earning money
- B. Borrowing money
- C. Investing in business
- D. Saving in banks

✅ Answer: B. Borrowing money

◆ 2. Credit is helpful when:

- A. The borrower uses it for wasteful spending
- B. The borrower earns enough to repay
- C. Interest rates are very high
- D. The borrower has no income

✅ Answer: B. The borrower earns enough to repay

◆ 3. In a positive credit situation, the borrower:

- A. Fails to repay the loan
- B. Loses his business
- C. Repays the loan and earns profit
- D. Avoids using the money

✓ Answer: C. Repays the loan and earns profit

◆ 4. In a negative credit situation, the borrower:

- A. Invests wisely
- B. Cannot repay the loan
- C. Gets low interest credit
- D. Starts a new company

✓ Answer: B. Cannot repay the loan

◆ 5. What is a "debt trap"?

- A. When someone has no debt
- B. When someone earns huge profits
- C. When someone has to take more loans to repay existing ones
- D. When the government gives loans

✓ Answer: C. When someone has to take more loans to repay existing ones

◆ 6. What usually causes a negative credit situation for a farmer?

- A. Good rainfall
- B. High crop yield
- C. Crop failure or bad market prices
- D. Government subsidies

✓ Answer: C. Crop failure or bad market prices

◆ 7. A credit situation is considered successful when:

- A. Borrower delays repayment
- B. Borrower avoids using money
- C. Loan is repaid with profit
- D. Loan is not used at all

✓ Answer: C. Loan is repaid with profit

◆ 8. Who usually suffers more in a negative credit situation?

- A. Rich businessman
 - B. Poor farmer or labourer
 - C. Government officer
 - D. Bank employees
 - ✓ Answer: B. Poor farmer or labourer
-

◆ 9. The key difference between two credit situations is:

- A. Amount of loan
 - B. Interest rate
 - C. Outcome of the loan
 - D. The gender of borrower
 - ✓ Answer: C. Outcome of the loan
-

◆ 10. A credit becomes a burden when:

- A. It is repaid early
 - B. The loan is interest-free
 - C. The borrower cannot repay
 - D. It is taken from a bank
 - ✓ Answer: C. The borrower cannot repay
-

◆ 11. Credit helps in development when:

- A. Used for unproductive purposes
 - B. Used for buying luxury goods only
 - C. Used for productive activities like farming or small business
 - D. Spent on vacations
 - ✓ Answer: C. Used for productive activities like farming or small business
-

◆ 12. In a debt trap, interest keeps:

- A. Reducing
 - B. Increasing the borrower's income
 - C. Getting added to the unpaid loan
 - D. Staying fixed forever
 - ✓ Answer: C. Getting added to the unpaid loan
-

◆ 13. What can help avoid negative credit situations?

- A. Borrowing without a plan
- B. Using credit for gambling
- C. Using loans for productive work and having repayment ability

D. Taking loans from multiple sources

✓ Answer: C. Using loans for productive work and having repayment ability

◆ 14. In the textbook story, Salim the shoe manufacturer represents:

A. A failed credit case

B. A positive credit situation

C. A moneylender

D. A person without income

✓ Answer: B. A positive credit situation

◆ 15. What does a successful credit situation improve?

A. Income and confidence

B. Debt and poverty

C. Inflation

D. Currency value

✓ Answer: A. Income and confidence

◆ What is Formal Sector Credit?

Formal sector credit comes from **institutions that are recognised and regulated by the government**. They follow rules, charge fair interest, and give loans in a legal and safe manner.

Examples of Formal Sector Lenders:

1. **Banks** - State Bank of India (SBI), HDFC Bank, Punjab National Bank, etc.
 2. **Cooperative Societies** - Local credit societies that give loans to members.
 3. **Regional Rural Banks (RRBs)**
 4. **NABARD** - Supports agricultural and rural loans
 5. **Microfinance Institutions** (registered)
-

Features of Formal Sector Credit:

Feature	Description
✓ Regulated	Controlled by RBI (Reserve Bank of India)
✓ Lower interest rates	Usually 7% to 12% per year
✓ Written terms	All loan conditions are written and legal
✓ Collateral required	Property or asset is often needed as a guarantee

Feature

Description



Safer for borrowers

Follows government rules to protect people



Example:

Sunita, a small farmer, takes a loan of ₹1 lakh from a government bank at **9% interest per year** to buy seeds and equipment. She repays it in **monthly instalments**. This is a **formal loan**.

Problems in Formal Sector:

- Sometimes **poor people or small farmers** can't get loans easily.
- Banks often demand **collateral** or paperwork that many people don't have.
- This pushes some to borrow from **informal sources** like moneylenders.

Government Efforts to Improve Access:

- **Jan Dhan Yojana** - To open bank accounts for all.
- **Priority Sector Lending** - Banks must give a certain % of loans to farmers, small businesses, etc.
- **SHGs (Self Help Groups)** - Help women and rural people get small loans.

❖ What is Informal Sector Credit?

Informal sector credit means borrowing money from **unofficial sources** that are **not regulated** by the government or any bank authority.



Examples of Informal Credit Sources:

- **Moneylenders**
- **Friends and relatives**
- **Traders and shopkeepers**
- **Landlords**
- **Employers**
- **Local goldsmiths or grain merchants**

These lenders give loans without legal documents, and often at **high interest rates**.

Features of Informal Sector Credit:

Feature

Informal Sector Credit

- | | |
|-------------------------------|---|
| 1) Not regulated | Not controlled by the RBI or government |
| 2) High interest rates | Can range from 24% to 60% or more per year |
| 3) No written records | Often based on verbal agreements |
| 4) Risky for borrowers | Lenders may exploit or pressure borrowers |
| 5) Easy access | Fast loans with little or no paperwork |
| 6) No legal protection | Borrowers can be harassed or trapped in debt |

❖ Problems with Informal Sector Credit:

- **Exploitation** - High interest and unfair conditions
 - **Debt trap** - Borrowers often keep borrowing more to repay old loans
 - **No fixed rules** - Each lender decides their own terms
 - **No support from law** - If the lender treats you unfairly, there's no easy legal help
-

❖ Why People Still Use Informal Credit:

- Banks ask for documents or collateral
 - People in rural areas may not have bank access
 - Informal loans are quick and easy to get
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❖ ♦ 1. Which of the following is a formal source of credit?

- ❖ A. Moneylender
- B. Friends and relatives
- C. Cooperative bank
- D. Shopkeeper

✅ **Answer: C. Cooperative bank**

❖

❖ ♦ 2. Which of the following is an informal source of credit?

- ❖ A. Commercial bank
- B. Self-Help Group (SHG)
- C. Moneylender

D. Regional Rural Bank

✓ **Answer: C. Moneylender**

❖

❖ ♦ **3. Who regulates the formal sources of credit in India?**

❖ A. State Government

B. SEBI

C. Reserve Bank of India (RBI)

D. Supreme Court

✓ **Answer: C. Reserve Bank of India (RBI)**

❖

❖ ♦ **4. Formal sector loans are usually given at:**

❖ A. Very high interest rates

B. No interest

C. Low and reasonable interest rates

D. Variable interest by lenders

✓ **Answer: C. Low and reasonable interest rates**

❖

❖ ♦ **5. Informal credit sources are generally:**

❖ A. Regulated by RBI

B. Unregulated and risky

C. Government-owned

D. Always cheaper

✓ **Answer: B. Unregulated and risky**

❖

❖ ♦ **6. Which group depends more on informal credit?**

❖ A. Rich businessmen

B. Urban salaried people

C. Poor rural households

D. Government officers

✓ **Answer: C. Poor rural households**

❖

❖ ♦ **7. Why do poor people often rely on informal credit sources?**

❖ A. Easy access and no paperwork

B. Banks are closer

C. High savings

D. Free money

✓ **Answer: A. Easy access and no paperwork**

❖

❖ ♦ **8. Which of the following does not belong to the informal credit sector?**

❖ A. Relatives

B. Commercial bank

C. Moneylender

D. Trader

✓ **Answer: B. Commercial bank**

❖

❖ ♦ **9. Formal credit provides protection to:**

- ❖ A. Lenders only
- ❖ B. Borrowers only
- ❖ C. Both lenders and borrowers
- ❖ D. None of the above

✓ **Answer: C. Both lenders and borrowers**

❖

❖ ♦ **10. Informal sector loans may lead to:**

- ❖ A. Increased income
- ❖ B. Interest-free growth
- ❖ C. Debt trap
- ❖ D. Government employment

✓ **Answer: C. Debt trap**

❖

❖ ♦ **11. Which of the following is true about informal lenders?**

- ❖ A. They follow RBI rules
- ❖ B. They charge lower interest
- ❖ C. They can demand repayment unfairly
- ❖ D. They give loans only to rich people

✓ **Answer: C. They can demand repayment unfairly**

❖

❖ ♦ **12. A key feature of formal credit is:**

- ❖ A. Verbal agreement
- ❖ B. High risk of exploitation
- ❖ C. Written agreement and record
- ❖ D. No need for identity proof

✓ **Answer: C. Written agreement and record**

❖

❖ ♦ **13. What percentage of rural credit in India still comes from informal sources (approximate)?**

- ❖ A. 10%
- ❖ B. 20%
- ❖ C. 50%
- ❖ D. 85%

✓ **Answer: C. 50%**

❖

❖ ♦ **14. Why are formal loans considered better for the poor?**

- ❖ A. Less paperwork
- ❖ B. No interest charged
- ❖ C. Fair terms and legal protection

D. More flexible lenders

✓ **Answer: C. Fair terms and legal protection**

❖

❖ ♦ **15. Which of the following is a disadvantage of informal sector loans?**

❖ A. Legal contract

B. High documentation

C. High interest and no rules

D. Government monitoring

✓ **Answer: C. High interest and no rules**

❖

❖ ♦ **16. The aim of promoting formal sector credit is to:**

❖ A. Increase foreign trade

B. Increase dependency on moneylenders

C. Reduce poverty and exploitation

D. Stop rural migration

✓ **Answer: C. Reduce poverty and exploitation**

❖

❖ ♦ **17. Which of the following is not an outcome of informal lending?**

❖ A. Debt trap

B. Exploitation

C. No legal protection

D. Employment generation

✓ **Answer: D. Employment generation**

❖

❖ ♦ **18. What is collateral?**

❖ A. A gift with a loan

B. A penalty paid by the borrower

C. Security offered for a loan

D. Bank's profit

✓ **Answer: C. Security offered for a loan**

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❖ ♦ **19. What is the major reason banks reject loan applications from the poor?**

❖ A. They live in villages

B. They ask for too much money

C. Lack of collateral and documents

D. They already have money

✓ **Answer: C. Lack of collateral and documents**

❖

❖ ♦ **20. Which scheme aims to expand formal banking services to the poor?**

- ❖ A. NITI Aayog
- B. Jan Dhan Yojana
- C. MNREGA
- D. Swachh Bharat
- ✅ **Answer: B. Jan Dhan Yojana**

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❖ Quick review

Aspect

Informal Sector Credit

- | | |
|----------------------------|--------------------------------|
| 1) Regulated by RBI | No |
| 2) Interest Rate | Very high (up to 60% or more) |
| 3) Legal Protection | No |
| 4) Documents or Collateral | Rarely needed |
| 5) Risk for Borrowers | High - often leads to debt tra |

❖ Who Gets Formal Credit?

Who

Why

- | | |
|------------------------------|---|
| Rich people | Have collateral and documents |
| Big businesses | Can show income, repay on time |
| Government employees | Have fixed income and job security |
| Urban people (city dwellers) | Better access to banks |

❖ Who Gets Informal Credit?

Who

Why

- | | |
|----------------------------|--|
| Small farmers | Often lack land titles or paperwork |
| Landless labourers | Have no collateral , low income |
| Daily wage workers | Irregular income, no bank accounts |
| Poor people in rural areas | Banks may be far away or deny small loans |
| Women in poor households | Often left out of formal credit system |

❖ What's the Problem?

- **Formal credit** goes mostly to the **rich or middle class**.

- The **poor rely more on informal credit**, which charges **high interest** and has **no legal protection**.
- This creates **inequality** - the rich get richer and the poor stay trapped in **debt**

✅ Self-Help Groups (SHGs) for the Poor

◆ What is a Self-Help Group (SHG)?

A **Self-Help Group (SHG)** is a small group of **poor people**, usually **women**, who come together to **save money regularly**, help each other in times of need, and **take small loans** from their own savings or from banks.

❖ Why Are SHGs Important for the Poor?

Most poor people:

- **Cannot get bank loans** easily (no collateral or paperwork)
- Depend on **informal sources** like moneylenders
- Fall into **debt traps** due to high interest

❖ SHGs solve this problem by helping poor people:

- **Access formal credit** (from banks)
 - **Save regularly**
 - **Build confidence and independence**
-

❖ How SHGs Work (Step by Step):

1. A **group of 10-20 poor people** forms an SHG (mostly women).
2. Each member **saves a small amount every month** (e.g., ₹100).
3. The money collected is kept in a **group bank account**.
4. Members can **take small loans** for:
 - Medical needs
 - School fees
 - Starting a small business (like tailoring, grocery shop)
5. The group decides:
 - Who gets the loan
 - Interest rate (usually low)

- Repayment time

6. After building a good track record, the **SHG can get a loan from a bank** (without collateral).

❖ **Benefits of SHGs:**

Benefit	Explanation
a) Access to formal credit	Banks lend to SHGs without asking for collateral
b) Women empowerment	Women become confident and financially independent
c) Community support	Members support each other during emergencies
d) Poverty reduction	Helps poor families earn and save more
e) Low interest loans	Much cheaper than moneylenders

◆ **1. What does SHG stand for?**

- A. State Help Group
- B. Self Holding Group
- C. Self-Help Group
- D. Self Health Group

✓ **Answer: C. Self-Help Group**

◆ **2. SHGs are mostly formed by:**

- A. Government employees
- B. Businessmen
- C. Women in rural areas
- D. Bank officials

✓ **Answer: C. Women in rural areas**

◆ **3. SHGs help poor people to:**

- A. Avoid paying tax
- B. Access formal credit
- C. Travel abroad
- D. Get government jobs

✓ **Answer: B. Access formal credit**

◆ **4. SHGs usually consist of how many members?**

- A. 5-10
- B. 10-20
- C. 25-50
- D. 50-100

✓ Answer: B. 10-20

◆ 5. Which of the following is a key feature of SHGs?

- A. High interest rates
- B. Formal credit without collateral
- C. No savings
- D. Only for men

✓ Answer: B. Formal credit without collateral

◆ 6. SHGs encourage:

- A. Spending more
- B. Gambling
- C. Regular savings among members
- D. Dependence on moneylenders

✓ Answer: C. Regular savings among members

◆ 7. Which bank supports loans to SHGs?

- A. Reserve Bank of India
- B. Any commercial or rural bank
- C. World Bank
- D. Election Commission

✓ Answer: B. Any commercial or rural bank

◆ 8. SHGs help reduce:

- A. Literacy
- B. Unemployment
- C. Poverty
- D. Both B and C

✓ Answer: D. Both B and C

◆ 9. SHGs are commonly linked to which government mission?

- A. Make in India
- B. Skill India

C. National Rural Livelihood Mission (NRLM)

D. Swachh Bharat

✓ **Answer: C. National Rural Livelihood Mission (NRLM)**

◆ 10. SHGs improve the status of:

A. Traders

B. Women

C. Government officers

D. Industrialists

✓ **Answer: B. Women**

◆ 11. Members of SHGs can take small loans for:

A. Weddings only

B. Buying luxury items

C. Emergency and income-generating activities

D. Gambling

✓ **Answer: C. Emergency and income-generating activities**

◆ 12. Which of these is a benefit of SHGs?

A. Exploitation of borrowers

B. Easy access to informal credit

C. Collective decision making and mutual support

D. High-interest borrowing

✓ **Answer: C. Collective decision making and mutual support**

◆ 13. SHGs help their members become:

A. Bankers

B. Politicians

C. Self-reliant and financially independent

D. Engineers

✓ **Answer: C. Self-reliant and financially independent**

◆ 14. In SHGs, how are decisions usually taken?

A. By a leader only

B. By voting among members

C. By the bank manager

D. By government officers

✓ **Answer: B. By voting among members**

◆ **15. SHGs help bridge the gap between:**

A. Rural and urban areas

B. Rich and poor

C. Informal and formal credit

D. Men and women

✓ **Answer: C. Informal and formal credit**

◆ **16. SHGs promote:**

A. Individualism

B. Community cooperation

C. Dependence on banks

D. Laziness

✓ **Answer: B. Community cooperation**

◆ **17. What happens when an SHG builds a good repayment record?**

A. It is shut down

B. It is ignored by banks

C. It qualifies for larger bank loans

D. It gets taxed heavily

✓ **Answer: C. It qualifies for larger bank loans**

◆ **18. SHGs usually open a:**

A. Shop

B. Bank account

C. Post office account

D. Factory

✓ **Answer: B. Bank account**

◆ **19. One major goal of SHGs is to:**

A. Promote luxury consumption

B. Eliminate all banks

C. Increase access to credit among the poor

D. Reduce bank profits

✓ **Answer: C. Increase access to credit among the poor**

♦ 20. SHGs empower women by:

- A. Giving them household jobs
- B. Restricting them to cooking
- C. Involving them in financial decision-making and leadership
- D. Reducing their savings

✓ Answer: C. Involving them in financial decision-making and leadership

Learning Horizon