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**Summary****Exercise**

Shrimati Rupa and Shrimati Dhupa are maid servant discussing each other about problems and worries.

Rupa : Dhupa, How are you?

Dhupa : I am fine. How are you?

Rupa : I am also fine.

Dhupa : Rupa, how you received sewing machine in your house? I know that we have limited earning.

Rupa : Oh! I have become a member of SHG of my locality we have many women like us who are contributing small amount every month. Our SHG provided us sewing machine and I am getting additional income through it.

Dhupa : That's nice thing. What is SHG?

Rupa : SHG means Self Help Group prominently run by women.

Dhupa : Ok. Now I will also take initiative to form SHG in my locality. Thank you Rupa for your valuable guidance.

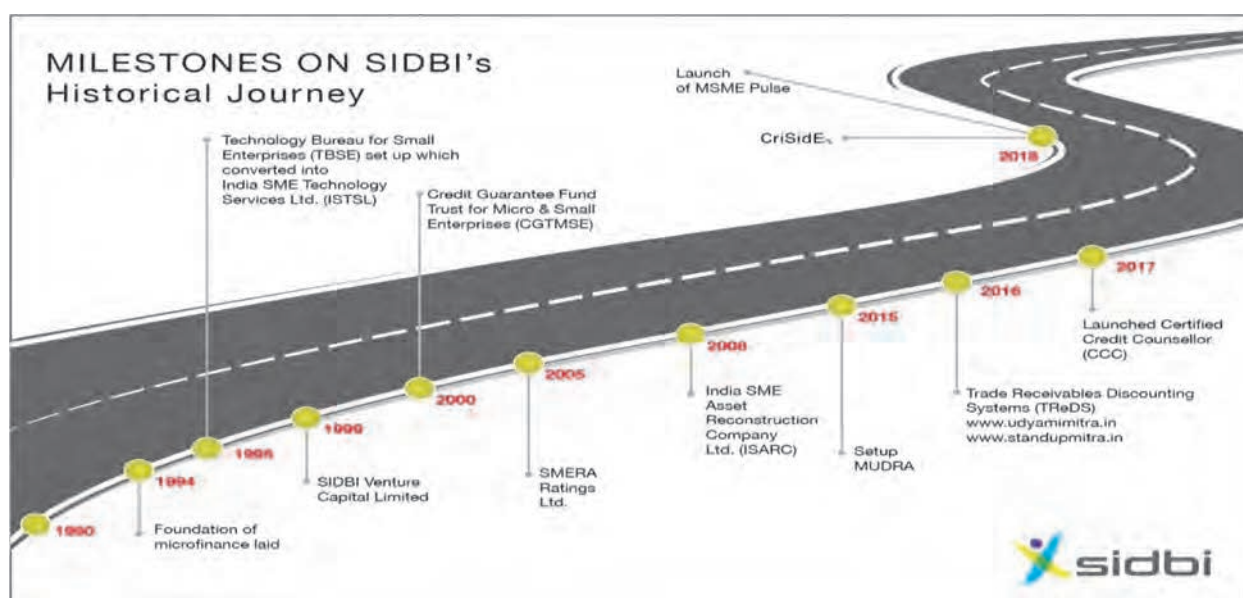
**6.1 INTRODUCTION**

Finance is the lifeblood of a business. It is the basic foundation of all kind of economic activities. The success of an organization largely depends on efficient management of its finance. Finance refers to sources of money for a business. Firms need finance to start business, to run business effectively as well as to expand the business. It is difficult to raise finance for starting business as it involves high risk. The chapter gives overview of sources of finance available from different financial institutes.

## 6.2 Small Industrial Development Bank of India (SIDBI)

Small Industrial Development Bank of India (SIDBI) was established on 2<sup>nd</sup> April, 1990. It was established under the Small Industrial Development Bank of India Act, 1988. It was initially started as a wholly owned subsidiary of Industrial Development Bank of India (IDBI). Presently the ownership of SIDBI is held by 34 public sector institutes. SIDBI has its head office at Lucknow. It has 15 regional offices and 84 branches operating all over India. It also co-ordinate the functions of institutions engaged in similar activities.

Micro, Small and Medium Enterprises (MSME's) are focused domains for SIDBI. MSME plays an important role in the Indian Economy as it provides major employment in the economy. SIDBI takes structural initiative to resolve financial and non-financial hurdles of MSMEs. It helps to make MSMEs strong, vibrant and globally competitive. There are many efforts taken by SIDBI to emerge as a brand which is customer friendly towards MSMEs. It facilitates and strengthens credit flow to MSMEs. It identified financial and development gaps in the MSMEs and took efforts to resolve the same. SIDBI dedicated its resources towards evolution of a vibrant ecosystem. It supports emerging entrepreneurs by infusing skills and re-skilling initiatives. SIDBI has taken steps for technological upgradation and modernization of existing MSMEs. It also expands the channels for marketing the products of MSMEs.



Source : [www.sidbi.in](http://www.sidbi.in)

### Features of SIDBI:

Following are some of the important features of SIDBI :

#### 1. Financial Institute for Promotion of MSMEs

SIDBI is established to provide short term and long term finance to the MSMEs. It is principal financial institution for micro, small and medium sector units. It also coordinate the functions of institutions engaged in financing MSMEs. It provides refinance to Banking and Non-Banking Financial Companies (NBFC) to increase supply of credit to MSMEs. Besides the refinance operations SIDBI also lends directly to MSMEs. SIDBI caters to the specific needs of Indian MSMEs that are not fulfilled through traditional sources of finance.

## 2. Sustainable Development

SIDBI is working towards sustainable development of MSMEs in India. It helps MSMEs in creation of economic wealth while preventing ecological wealth of the country. It promotes culture of energy efficient and sustainable finance. It takes initiative to enhance awareness of benefits of climate control amongst MSMEs. SIDBI's focused lending schemes promote investment in clean production and energy efficient technologies. It helps to reduce the emission of greenhouse gases to contribute towards reduction in pollution.

## 3. Advisory Function

SIDBI also works as advisor and mentor for MSMEs. It helps MSMEs in expanding marketing channels for the products both in the domestic as well as international markets. It also initiates steps for modernization and technological upgradation of current units.

## 4. Services to MSMEs

SIDBI provides different types of financial and non-financial services through its associates and subsidiaries. These associates and subsidiaries are as follows :

- i) **SIDBI Venture Capital Ltd. (SVCL)** - a wholly owned subsidiary of SIDBI which was set up in July 1999, is providing venture capital to emerging sectors, such as, life sciences, biotechnology, pharmaceuticals, engineering and information technology.
- ii) **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)** - a trust to implement the Credit Guarantee Scheme (CGS) through which credit facilities are extended without third party guarantee on collateral security by eligible lending banks/ Financial Institutions.
- iii) **SME Rating Agency of India Ltd. (SMERA)** - was set up by SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and several public, private and foreign sector banks as an MSME dedicated third-party rating agency to provide comprehensive, transparent and reliable ratings and risk profiling.
- iv) **India SME Technology Services Limited (ISTSL)** - a platform where MSMEs can tap opportunities at the global level for acquisition of new and emerging/ green technologies or establish business collaboration.
- v) **India SME Asset Reconstruction Company Ltd (ISARC)** - An Asset Reconstruction Company (ARC) to acquire non-performing assets (NPAs) and to resolve them through its innovative mechanisms with a special focus on the NPAs of MSME sector.
- vi) **Micro Units Development & Refinance Agency (MUDRA)** - for 'funding the unfunded' micro enterprises in the country

## 5. Achievements of National Goals

SIDBI's initiatives help in poverty alleviation and employment generation through financing MSMEs. It promotes entrepreneurship and fosters competitiveness in MSME sector. It takes initiatives in skill development of entrepreneurs. It promotes entrepreneurship among women and economically weaker section of the society. It provides finance to industries in semi-urban areas to create more employment opportunities which reduces migration of population to urban areas.

## 6. Different forms of Finance

SIDBI offers the following facilities to its customers:

1. **Direct Finance:** SIDBI offers direct financing to the MSMEs through financing Working Capital, Term Loan, Foreign Currency Loan, Equity Support, Energy Saving Scheme etc.
2. **Indirect Finance:** SIDBI offers indirect assistance by providing Refinance to Banks, State Level Financial Institutions, etc. with an extensive branch network across the country.
3. **Micro Finance:** SIDBI offers microfinance to small businessmen and entrepreneurs for establishing their business.

## 7. Digital Initiatives

### ☐ SIDBI Startup Mitra

It is digital initiative by SIDBI launched on March 17th, 2016. It brings together all stakeholders, start-up entrepreneurs, incubators, investors, industry bodies, mentors and advisors and banks at one platform. It helps in financing and development of new entrepreneurs. It also works as knowledge partner for State and Central Governments.

### ☐ Udyami Mitra

SIDBI has launched the 'Udyami Mitra' Portal to improve accessibility of credit and handholding services to MSMEs. They can select and apply for preferred banks through this portal. Under the portal, entrepreneurs can apply for loan without physically visiting any bank branches and can select suitable bank branch, track their application status and avail multiple loan benefits. It also has facility for uploading all necessary documents. Through the portal the MSMEs can also seek handholding support for getting finance

## 8. Nodal/Implementing Agency

SIDBI has been assigned the role of nodal agency by the Government of India. It helps in implementing various subsidy schemes for MSMEs. These schemes help in upgradation, modernisation and expansion of business.



### Activity

- Visit near by MSME's and try to understand their capital formation.

## 6.3 National Bank for Agriculture and Rural Development (NABARD)

### Introduction

India is an agricultural country. Agriculture and its allied activities act as main source of livelihood for most of the rural population of India. Government of India is aware about the need of boosting institutional credit in rural economy. The Reserve Bank of India (RBI) constituted a Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD), under the Chairmanship of Shri B. Sivaraman, to take review of agricultural credit in India. The recommendation of the committee was accepted and National Bank



**sidbi** **SWAVALAMBAI**  
BECHAIN SAPNO KO PAHUCH...  
CONSUMER CONNECT INITIATIVE. Powered by THE TIMES OF INDIA

**DREAM BIG**  
Dream is the first step for becoming an entrepreneur. Follow your dream to pursue your aspirations

**CONCEPTUALISE AN IDEA**  
Dream will lead to ideas and ideas are required to be conceptualised as a viable business proposition vis-à-vis pains and gaps in the market

**STUDY OTHER BUSINESSES**  
Find out the key success factors of other businesses and whether it can be done in a better way

**DISCOVER MARKET OPPORTUNITY**  
Identify market opportunities based on location and pricing. Lend ears to opportunities and blend it with solution perspective

**IF YOU NEED FUNDS, LOOK FOR IT**  
Look for various funding options. Know about government schemes like MUDRA loan, Stand-up India, CGTMSE etc.

**TAKE THE PLUNGE**  
Transform yourself into an entrepreneur and be a job creator. Be your own boss and control your income

**MAY GOD HELP YOU WITH YOUR VENTURE!**  
With all goals and objectives set, you are ready to embark on your venture!

**STEPS TO LIVE YOUR DREAMS**

IF YOU FEEL THAT THE ABOVE STORY HAS GOT YOU THINKING ABOUT WHAT YOU WANT TO BE, PLEASE SEND A WHATSAPP MESSAGE AT 022 67221 495 AND TAKE YOUR VERY FIRST STEP TOWARDS BECOMING AN ENTREPRENEUR

**Eye opener**  
World over, many have become successful entrepreneurs by adopting one of the following

- Innovative Idea, product or service:** Many successful entrepreneurs tapped into the potential of an idea that was never explored before. While some invented a product or service, some envisioned an idea that could serve the needs of consumers.
- Cheaper Alternative to an Existing Product:** Aspiring entrepreneurs spend several hours understanding the consumer dynamics. Value for money can be a key success factor and cheaper alternative of a product or service can attract new customers.
- Exploring a new consumer base:** It is just not about innovation, it is often understanding the consumer behaviour too. Several entrepreneurs succeeded in the recent years by reimagining existing products and services to reach out to a new customer base.
- Developing a new business model:** The yearning to succeed in their endeavours has led many businesses to create a mark of their own. They developed their ideas into workable business model. This was not only something new for the market, but turned out to be a profitable undertaking for these entrepreneurs.

**Introducing Mr. Dhandebaz, who will guide you through your journey of entrepreneurship**

**Only business no bakwas!**

**MEET MR. DHANDEBAZ**

Whitty & Wise, Mr. Dhandebaz will be your guide who will help you fulfil your dreams. Your plan takes its own time to flourish into a successful business model that can achieve its predetermined goals. While foraging into an uncharted domain, you may be plagued with a series of doubts and often your thoughts will be flooded with inexplicable fears. That time every body needs handholding and Mr. Dhandebaz is here to serve the purpose. His workshop is not only insightful, but comes with an undertone of thoughtful and actionable ideas. He is here to help you with his immense knowledge of the market and in-depth understanding of business.

After your business objectives are set, Dhandebaz will help you to embark on your trail to success. His counsel and factual approach will help you take informed decisions about your business goals.

**BUSTING MYTHS**  
#1 BUSINESS IS RISKY; JOB IS SAFE

People often consider jobs to be a very safe option. However, uncertainty looms large in job market as organisations are heavily dependent on the economy just like businesses. Gone are the days when employment was glorified for the sense of security that it instils. There is no guarantee that jobs are permanent, but business will give you ample prospects to multiply your incomes. When the offered products and services are better, it automatically attracts repeat and new customers, which can bring the desired stability in income. Business is a safer bet now.

**Survival to Success: Journey of Mari Anna**

**MEET A HERO**

When young Mari Anna landed in Mumbai from Tirunelveli in search of a job, he had only one challenge in his, how to survive. While doing varied odd jobs including washing dishes and helping cooks in restaurants, never did he thought that one day, his life would find a way to the dining halls of many high-rise business in the city. He started with a morning adventure of selling dosa and chutney on a borrowed bicycle between 3 am to 5 am. That was his first attempt at entrepreneurship, which changed his life forever. His business kept growing from a borrowed bicycle to a Thrax. These days Mari runs his sidi-dosa center from a rented shop in New Mumbai. Besides the two cooks and three waiters in the shop, there are four delivery boys. He delivers party orders in his own Maruti Suzuki Eco. "I don't know what entrepreneurship is. But all these things are not possible while being on a job. At most I would have been managing cash counter in a small restaurant", replies Mari to the question whether he is happy being an entrepreneur.

**Entrepreneurs are going Miles with MSME loans under SIDBI SMILE @ 8.12%\***

**SIDBI has provided Term Loan under SMILE at a very good rate and in a quick time. With SIDBI on my side, I am more focused on scaling up my business.**

Alaksh  
Orange Printworks, Haridwar

**8.12%**

**Loans for MSMEs at attractive interest rates by SIDBI**

**Eligible Enterprises:** New/Existing enterprises in the manufacturing as well as service sector.

**Utility:** Undertaking expansion, to tap new emerging opportunities, modernization, technology upgradation, business expansion etc. The applicant must achieve minimum internal investment grade rating of SIDBI.

**Loan Size:** ₹25 Lakhs to ₹5 Crores.

**Rate of interest:** Attractive interest Rates starting from 8.12%\*.

**Repayment Period:** Up to 120 months.

\*Indicative rate for a 5 year term loan. Interest rates are subject to change.

For details visit: [www.sidbi.in](http://www.sidbi.in)

Source - SIDBI Consumer Connect initiative powered by Times of India

for Agriculture and Rural Development (NABARD) came into existence on July 12, 1982, under the special Act of the Parliament i.e. The National Bank for Agriculture and Rural Development Act, 1981.

The NABARD has been recognized as an apex institution for agricultural finance. The NABARD was established with the objective of providing and regulating credit and other facilities for the promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts and allied economic activities.

## Features of NABARD

Following are some of the important features of NABARD :

### 1. Apex Bank

NABARD acts as an apex bank for meeting the credit needs of all type of financial institutes working in the field of agricultural and rural development. It works to frame policies and guidelines for rural financial institutions in India. It also provide credit facilities to institutes working in agricultural finance. It also monitors the flow of rural credit in India. The bank implements the policy of the Central Government and the RBI with regard to agricultural credit.

### 2. Refinancing Facilities

It provides refinancing facilities to State Co-operative Banks (SCBs), Land Development Bank (LDBs), Regional Rural Banks (RRBs) and other approved financial institutions for financing rural economic activities. It also provides short-term, medium-term and long-term credit to these institutes. During natural calamities, such as droughts, crop failure and floods, the bank helps by refinancing commercial and cooperative banks so that the farmers tide over their difficult period.

### 3. Assistance to Financial Institutes

It plays an important role in preparing and developing action plans for Cooperative Banks and Regional Rural Banks. It also monitors implementation of development action plans of these banks. It provides financial assistance to cooperative banks for building improved Management Information System (MIS), computerization of operations and development of human resources.

### 4. Provides Credit for Rural Development

It takes initiatives in the development and promotion of different activities in rural area by providing funds to State governments. It also provides refinancing for upliftment of weaker section of the society. It also works on improvement of small and minor irrigation by way of promoting agricultural activities. Provides finance for promotion of non-farm activities and employment in non-farm sectors for the purpose of reducing rural unemployment.

### 5. Supervision of Financial Institutes Engaged in Agricultural Finance

It undertakes inspection of Regional Rural Banks (RRBs) and Cooperative Banks as per the guidelines of Banking Regulation Act, 1949. It can also undertake inspection of State Cooperative Agriculture and Rural Development Banks (SCARDBs) and apex non- credit cooperative societies on a voluntary basis.

### 6. Provides Recommendations to Reserve Bank of India

It Provide recommendations to Reserve Bank of India on issue of licenses to Cooperative Banks, opening of new branches by State Cooperative Banks and Regional Rural Banks (RRBs).

## 7. Financing Rural Industries

It plays an important role in providing refinance to small scale industries and other village and cottage industries. It provides loans to commercial and co-operative banks to promote rural employment. It organizes skill and entrepreneurship development programmes to promote an entrepreneurial culture among the rural youth and encourage them to start enterprises in the rural areas.

## 8. Role in National Development

It plays an important role in the improvement of storage facilities for agricultural commodities by promoting development of warehousing facilities. It has also promoted the export of agricultural commodities. It is playing a key role in sustainable development of the country through Green, Blue and White revolution.



### Activity

- Visit near by Development Project of NABARD.

## 6.4 Khadi and Village Industries Commission (KVIC)

### Introduction

Khadi was symbol and the spirit of self reliance in pre-independence India. During the Indian struggle for independence Khadi played an important role in the boycott of foreign clothes. It provides livelihood and economic independence to artisans in the villages. After independence Government of India took several initiatives in promotion and development of khadi and village industries through its Five Year Plans. To promote khadi and village industry, All India Khadi and Village Industries Board was set up in 1953. In 1956, a statutory body Khadi and Village Industries Commission (KVIC) was created with a special Act of Parliament i.e. the Khadi and Village Industries Commission Act, 1956. In April 1957, KVIC was established and took over the work from All India Khadi and Village Industries Board. It is an apex organization under the Ministry of Micro, Small and Medium Enterprises, with regard to khadi and village industries within India. KVIC has its head office at Mumbai.

KVIC is actively working for planning, promotion and production of Khadi as well as in setting up of village and rural industries in India. It plays a key role in identifying the potential for the development of rural industries and undertakes the valuable task of promoting and developing locally operating village enterprises. It gives emphasis on utilizing the locally available raw material and human skills which ultimately helps to generate non-farm employment opportunities in the rural areas. It also helps to strengthen the rural economy. It plays a role of co-ordinator with other agencies engaged in rural development.

KVIC receives fund from the Ministry of Micro, Small and Medium Enterprises for effective implementation of various programs and schemes. The KVIC use these funds to implement its programs either directly through its state offices or indirectly through Khadi and Village Industries Boards. Khadi and Village Industries Commission functions at the national level and there are respective State Khadi and Village Industries Boards in the different States to achieve the broad objective of rural development.

## Objectives of KVIC

The broad objectives of establishing the KVIC are

- **The social objective** of providing employment.
- **The economic objective** of producing saleable articles.
- **The wider objective** of creating self-reliance amongst the poor and building up of a strong rural community spirit.

These objectives can be achieved through effective implementation of various schemes and programs of KVIC.

## Features of KVIC

**Following are some of the important features:**

### 1. Rural Development

India is an agricultural country and most of its population is residing in rural India. KVIC is the premier organization which plays an active role in the development of rural India. The Khadi and Village Industries plays a very important role in the development of Indian economy, particularly in the development of the rural areas. KVIC facilitates proper utilization of natural resources in rural India for generating income for the rural masses. It also promotes the development of tiny, cottage and small scale enterprises in the rural areas.

### 2. Employment Generation

Due to massive population growth, agricultural sector is losing its ability to generate additional employment in rural areas. It is necessary to create employment opportunities for the fast increasing workforce in rural areas. Khadi and Village Industries are labour intensive in nature. The KVIC is established with the broader objective to promote non-farm employment opportunities in rural areas. It also concentrates on the betterment of rural artisans and socio-economic weaker section of the society. The KVIC has been generating large scale employment in the rural areas with low per capita investment.

### 3. Entrepreneurship Development

Entrepreneurship Development is one of the major functions of KVIC. KVIC helps to provide additional livelihood avenues to the village communities. KVIC generate self-employment opportunities through establishment of micro enterprises by organizing traditional artisans and unemployed youth. It increases their earning capacity as well as prevents migration. The KVIC actively participates in many international trade exhibitions for popularising its products in international markets.

### 4. Financial Assistance

KVIC formulated many schemes for financial assistance for rural industrialization and employment generation. It finances to the projects for rural industrialization and also provides for margin money by way of subsidy. There are provisions for higher rate of subsidies in case of beneficiaries of the weaker sections, tribal areas and backward regions. These schemes are implemented by KVIC, State Units of KVIC and District Industries Centres (DICs) with involvement of Banks. The KVIC also provides financial assistance to institutions and individuals for development and operation of Khadi and Village Industries.



## 5. Research and Development

To face the challenge of globalization, KVIC has introduced a number of new products range like Khadi denim jeans to cater the need of the market. The KVIC undertakes trainings of sales staff for effective marketing of the products. KVIC is taking several steps to set standards of quality to ensure genuineness of the khadi products. KVIC signed Memorandum of Understanding (MoU) with National Institute of Design (NID) to provide design support services in packaging, marketing, communication, publicity, disseminating materials and other design-related activities. The KVIC is also charged with the responsibility of encouraging and promoting research in the production techniques and equipment employed in the Khadi and Village Industries. KVIC plays an important role in technological improvements in products and processes of Khadi and Village Industries in reducing the cost of production and derive higher incomes. It also promotes use of non-conventional energy and electric power for sustainable development.

## 6. Marketing and Promotion

In order to attract younger generation, the KVIC is holding exhibitions, seminars, lectures in universities and colleges to disseminate knowledge of KVIC products. KVIC has also launched a massive marketing development plan to generate interest, awareness and attraction amongst the masses. Efforts are taken for improvements in the quality of products, packaging and marketing. The Government will continue to encourage the khadi and village industry sector so that its products can become more competitive,

## 7. Other Functions

The KVIC is charged with the planning, promotion, organization and implementation of programs for the development of Khadi and other village industries in the rural areas. It organizes training programme for artisans engaged in Khadi and village industries. The KVIC may also undertake directly or through other agencies studies concerning the problems of Khadi and Village Industries.



### Activity

- Visit near by KVIC centre and collect information about products manufactured by them.

## 6.5 Women's Self Help Groups (Mahila Bachat Gat)

### Introduction

Dr. Muhammad Yunus, an economist from Bangladesh, known as the Father of Microfinance founded the Grameen Bank in Bangladesh in October 1983 with the vision to eradicate poverty. Traditional banks refused to make small loans to the poor. Hence the idea of Grameen Bank was born to give small loans to poor which can make a big difference in their life. Small loans would not only help them to survive but also create the spark of enterprise and empower them to pull them out of poverty. The success of the Grameen microfinance model has inspired hundreds of countries throughout the world. Grameen Bank and Dr. Yunus jointly won the Nobel Peace Prize in 2006. Indian Self Help Group Model is refined model of Bangladesh's Model to eradicate poverty and empower the women. All self-help groups are based on the fundamental principles of "helping each other" and "unity is strength".

A Self Help Group (SHG) is a small group of homogeneous individuals who come together with the objective of creating common fund through savings and meet members' emergency needs by providing collateral free loan. When the self help groups are managed by women it is popularly known as Women's Self Help Group. In India, SHGs first emerged within the Mysore Resettlement and Development Agency (MYRADA) initially called Credit Management Groups in 1985. RBI accepted the SHG strategy as an alternative credit model. In India, Self Help Group – Bank Linkage Programme was initiated by NABARD since 1992.

## What is Self Help?

From our childhood days, we hear sayings like

- 'Self help is the best help'
- 'Unity is strength'
- 'United we stand, divided we fall'

We have heard the story of the birds caught in a net.

They could not escape one by one.

But when they flew together in a **group**, they escaped.

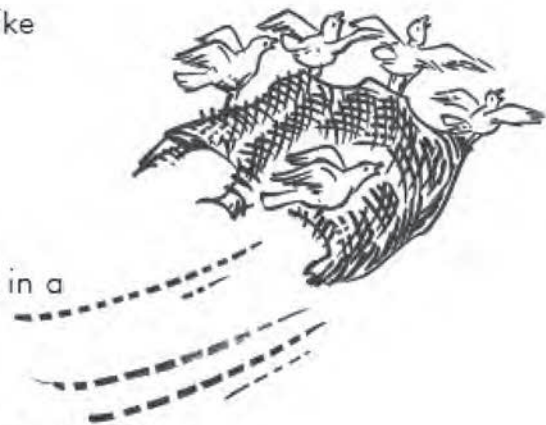
We know that one stick is easy to break.

But it is difficult to break a bundle (**group**) of sticks.

The SHGs show us how unity is strength.

They show us how self help could be the best help.

**It is useful if we can encourage and help poor people to form SHGs.**



Source - A handbook on forming SHG's by NABARD

A SHG is a voluntary association. Every member of the group makes a small savings at a regular interval. After group collects sufficient fund it can start lending it to the members as per their needs at a reasonable rate of interest. In India, many SHGs are linked to banking institutions for the delivery of micro-credit. Registration of SHG is not compulsory. There are simple rules framed by the members of the group for smooth conduct of the operation of the group. All decisions are taken in collective manner by the SHG members. The empowerment of women through SHGs would lead benefits not only to the individual women but also for the family and community as a whole. The SHGs empower women and trains them to take active part in socio-economic progress of the nation. SHG develops saving habits among the women. It enhances status of women as they participate, lead, take decisions and get benefited through collective efforts.



### Activity

- Collect data on Nilima Mishra and discuss.
- Collect data on 'Parivaar Group' and discuss.

## Features of Women's Self Help Groups

Following are some of the important features of Women's Self Help Groups :

### 1. Formation

Self Help Group is a small group of homogeneous individuals. It is generally formed by NGOs, or team of dedicated functionaries of the government. It is an informal group and registration under any Societies Act, State Co-operative Act or any other Act is not mandatory. It is recognized by the government and does not require any formal registration. SHGs have well-defined rules and by-laws, hold regular meetings and maintain records. However for wider outreach and institutionalize them, SHGs can get themselves registered. Many SHGs are registered under the Cooperative Laws or Societies Act. But these laws were found to be ineffective in addressing the needs of the SHGs.

### 2. Membership

Homogeneous group of SHG is generally formed through a process of self-selection based upon the affinity of its members. As per National Urban Livelihood Mission (NULM) at least 5 members are required. It is difficult to manage bigger group and members cannot actively participate. From one family, only one person can become a member so that more families can participate. Mixed groups are generally not preferred. Women's groups are generally found to perform better. Effective participation of members can be ensured if they are of the same social and financial background.

### 3. Democratic Setup

SHG is group of the members, for the members and by the members. It is the group which reflects the people's real participation in the process of development. Every member of the group actively participates in the functioning of SHGs. Members are responsible for their own future by organizing themselves into SHGs. They elect or select leader for proper functioning of the group. Leader is responsible for holding regular meetings and maintaining records and accounts of the group. These groups run on the principle of collective leadership and mutual discussions.

### 4. Habit of Saving

The SHG encourages small saving habits at regular interval among its members. Savings of all group members help to generate common fund to be used to lend to members in times of need. The self-help group inculcates the thrift and savings habit among the members of each group.

### 5. Mutual Trust

Most of the Indian villages are facing challenges such as poverty, illiteracy, lack of skills, health care etc. It is difficult to tackle these problems individually. There is a need of group efforts to solve these problems. The basic philosophy of forming SHGs is to overcome individual shortcomings and weaknesses with collective efforts. Self help groups are working as vehicle

of change in rural India. SHG brings rural poor and marginalized individuals together to solve the problems of individuals as well as community as a whole. Through mutual trust thousands of the poor and the marginalized individuals are building their lives, their families and their society. Government also gives due recognition to SHGs for effective implementation of development schemes at the grass root level.

## **6. Promotes Entrepreneurship**

The poor and marginal individuals in rural area face scarcity of capital and managerial skills. SHGs provide them capital at low interest rate which give them opportunity to start micro enterprise. These micro enterprises use untapped manpower in the area which generates employment opportunities in the rural area. Timely financial support and managerial skills help to promote first generation micro entrepreneurs in rural areas. It also helps to generate additional income to poor households. SHGs build income and employment generation capabilities in the marginalized rural individuals. Self employment through micro enterprise will help in poverty eradication. NGOs and Government take initiatives to motivate rural individuals to start micro enterprise by providing skill development trainings and marketing and technical support.

## **7. Women Empowerment**

Consistent efforts by government and non-government machineries were not achieving much in the economic development of women in India. Empowerment of women is recognized as the need of the hour. SHG is an emerging tool for socio-economic development of women all over the world. SHGs are working effectively in promoting women entrepreneurship. Government provides different financial and non-financial assistances to promote the Self Help Groups for women empowerment. SHGs empower women by providing her knowledge, finance and opportunity.

## **8. Collateral Free Loan**

Formal financial services failed to meet credit requirements of rural poor individuals due to absence of any recognized employment and non-availability of collateral. The lack of loans from formal institutions leaves the poor with no other option but to borrow money from local money-lenders at huge interest rates. SHGs provide small loans to the poor individuals for undertaking self employment projects. It provides employment for themselves and their families. Loans are given on the principle of mutual trust and either minimum or no documentation is required to get loan. The rate of interest differs from group to group. Generally rate of interest charged by the SHGs are little higher than the interest charged by banks. It saves poor individuals from the clutches of local money lenders. It also encourages poor individuals to actively participate in banking activities. It builds trust and confidence between bankers and the poor rural people. It ensures timely repayment of loans as all members of the group are responsible for collecting repayment amount from the members who borrowed the loan.



### **Activity**

- Meet rural artisans and try to find out the problems faced by them.
- To start a business, we need capital. Prepare a list of sources from where you can raise capital for starting a business.



## 6.6 World Bank

### Introduction

The World Bank is an international organization dedicated to provide finance, advice and research to developing nations. Conventionally it is not a bank. Instead, it comprises two institutions namely the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). As on date 189 member countries share ownership of the bank. The Bank works closely with three other organizations:

- The International Finance Corporation
- The Multilateral Guarantee Agency
- The International Centre for the Settlement of Investment Disputes.

All five organizations are collectively known as the World Bank Group.

The International Bank for Reconstruction and Development (IBRD) provides debt financing to governments that are considered middle income. The International Development Association (IDA) gives interest-free loans to the governments of poor countries. The International Finance Corporation (IFC) focuses on the private sector and provides developing countries with investment financing and financial advisory services. The World Bank is the Multilateral Investment Guarantee Agency (MIGA), an organization that promotes foreign direct investments in developing countries. The International Centre for Settlement of Investment Disputes (ICSID) provides arbitration on international investment disputes.



The World Bank was created at the 1944 Bretton Woods Conference along with the International Monetary Fund (IMF). The head quarter of World Bank is in Washington, D.C. The intention behind the founding of the World Bank was to provide temporary loans to low-income countries which were unable to obtain loans commercially. The World Bank provides financial and technical assistance to the member countries of the world. It also offers developmental assistance to middle- and poor-income countries. The bank considers itself a unique financial institution that provides partnerships to reduce poverty and support economic development by giving loans and offering advice and training to both the private and public sectors. It focuses on improving education, health, and infrastructure. It also uses funds to modernize a country's financial sector, agriculture and natural resources management.

#### ❑ Features of World Bank

Following are some of the important features of World Bank:

#### 1. Organization and Structure:

The organization of the bank consists of the Board of Governors, the Board of Executive Directors and the Advisory Committee, the Loan Committee and the president and other staff

members. All the powers of the bank are vested in the Board of Governors which is the supreme policy making body of the bank. The board consists of one Governor and one Alternative Governor appointed for five years by each member country. The Board of Executive Directors consists of 21 members, 6 of them are appointed by the six largest shareholders, namely USA, UK, Germany, France, Japan and India. The rest of the 15 members are elected by the remaining countries.

## **2. Goals**

The World Bank Group has set two goals to be achieved by 2030.

- End extreme poverty by decreasing the percentage of people living on less than \$1.90 a day to no more than 3%.
- Promote shared prosperity by fostering the income growth of the bottom 40% for every country

The World Bank is a vital source of financial and technical assistance to developing countries around the world. It is not a bank in the ordinary sense but a unique partnership to reduce poverty and support development. The World Bank Group comprises five institutions managed by their member countries.

## **3. Financial Products and Services**

World Bank provides low-interest loans, zero to low-interest credits, and grants to developing countries. It supports in areas such as education, health, public administration, infrastructure, financial and private sector development, agriculture, and environmental and natural resource management. Some of the projects are co-financed with governments, other multilateral institutions, commercial banks, export credit agencies, and private sector investors.

## **4. Innovative Knowledge Sharing**

World Bank offers support to developing countries through policy advice, research and analysis and technical assistance. Analytical works of World Bank often helps developing countries. It also helps in capacity development of the developing countries. World Bank also sponsors, host or participates in many conferences and forums on issues of development. It also collaborates with partners on many developing issues. It also takes effort to provide access to the best global expertise to the developing countries.

## **5. Innovation and Entrepreneurship**

In the competitive economy, innovation and entrepreneurship plays an important role in the growth of the business. It helps in higher productivity which leads to increased economic growth. It helps in creation of employment to eradicate poverty. Young and growth-oriented companies contribute in employment growth. They help in enhancing competitiveness and productivity by introducing new products, developing novel business models and opening new markets. Innovation allow firms to specialize, meet international best-practice standards and upgrade quality. World Bank recognizes that innovation and entrepreneurship are important to address major developmental challenges. The World Bank invests in innovative and entrepreneurship projects. The World Bank brings global experience, knowledge, research and investments to help client countries develop effective innovation and entrepreneurship ecosystems, such as policies, strategies, regulations and institutions that foster investments and jobs.

## 6. Social Development

Social Development focuses on the need to “put people first” in development processes. The World Bank work with governments, communities, civil societies, the private sector and the marginalized for the cause of social development. Social Development promotes economic growth and leads to higher quality of life. The World Bank’s work on Social Development brings voices of the poor and vulnerable into development processes. World Bank is also undertaking timely social risk analysis, including poverty and social impact analyses.

### SUMMARY

Finance is the lifeblood of a business. Success of business mostly depends on optimum utilization of capital. There is a need of capital in the business for various purposes.

#### ❑ Following are some of the important institutes which provide financial assistance :

- i) Small Industrial Development Bank of India (SIDBI)
- ii) National Bank for Agriculture and Rural Development (NABARD)
- iii) Khadi and Village Industries Commission (KVIC)
- iv) Self Help Groups (SHGs)
- v) World Bank (WB)

### 1) Small Industrial Development Bank of India (SIDBI)

Small Industrial Development Bank of India (SIDBI) was established on 2nd April, 1990 under the small Industrial Development Bank of India Act, 1988. It was initially started as a wholly owned subsidiary of Industrial Development Bank of India (IDBI). Presently the ownership of SIDBI is held by 34 public sector institutes. SIDBI is established for financing and promotion of micro, small and medium industries.

#### ❑ Features of SIDBI

- i) Financial Institute for Promotion of MSMEs
- ii) Sustainable Development
- iii) Advisory Function
- iv) Services to MSMEs.
- v) Achievements of National Goals
- vi) Different forms of Finance
- vii) Digital Initiatives
- viii) Nodal / Implementing Agency

### 2) National Bank for Agriculture and Rural Development (NABARD)

National Bank for Agriculture and Rural Development (NABARD) came into existence on July 12, 1982 on the recommendations of a committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development. NABARD acts as an apex bank in the field of agricultural and rural development.

#### ❑ Features of NABARD

- i) Apex Bank.
- ii) Refinancing Facilities.

- iii) Assistance to Financial Institutes.
- iv) Provides Credit for Rural Development.
- v) Supervision of Financial Institutes Engaged in Agricultural Finance.
- vi) Provides Recommendations to Reserve Bank of India.
- vii) Financing Rural Industries.
- viii) Role in National Development.

### 3) **Khadi and Village Industries Commission (KVIC)**

Khadi and village Industries Commission (KVIC) was created in 1956 under the Khadi and Village Industries Commission Act, 1956. It is an apex organization under the Ministry of Micro, Small and Medium Enterprises, with regard to Khadi and Village Industries within India. KVIC has its head office at Mumbai.

#### □ **Features of KVIC**

- i) Rural Development.
- ii) Employment Generation
- iii) Entrepreneurship Development
- iv) Financial Assistance
- v) Research and Development
- vi) Marketing and Promotion
- vii) Other functions

### 4) **Self Help Groups**

Father of Microfinance Dr. Muhammad Yunus, economist from Bangladesh, founded the Grameen Bank in Bangladesh in October 1983. SHGs helps to eradicate poverty through providing collateral free loans to the members of the group.

#### □ **Features of Self Help Groups**

- |                        |                               |
|------------------------|-------------------------------|
| i) Formation           | ii) Membership                |
| iii) Democratic Setup  | iv) Habit of Saving           |
| v) Mutual Trust        | vi) Promotes Entrepreneurship |
| vii) Women Empowerment | viii) Collateral Free Loan    |

### 5) **World Bank**

The World Bank is an international organization dedicated to providing financing, advice and research to developing nations. Conventionally it is not a bank. Instead, it comprises two institutions namely the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

#### □ **Features of World Bank**

- |                                      |                                  |
|--------------------------------------|----------------------------------|
| i) Organization and Structure        | ii) Goals                        |
| iii) Financial Products and Services | iv) Innovative Knowledge Sharing |
| v) Innovation and Entrepreneurship   |                                  |
| vi) Social Development.              |                                  |



## ❑ Career Opportunities

- 1) Establishment of Self Help Group.
- 2) Starting Micro, Small or Medium Industry.
- 3) Accounting of SHGs.
- 4) Opportunities in Financial Institutes.

## ❑ References

- 1) [www.sidbi.in](http://www.sidbi.in)
- 2) [www.kvic.org.in](http://www.kvic.org.in)
- 3) [www.nabard.org](http://www.nabard.org)
- 4) [www.worldbank.org](http://www.worldbank.org)
- 5) Datt Ruddar and KPM Sundharam, Indian Economy, S. Chand
- 6) Handbook on Forming Self-Help Groups (SHGs) – NABARD



## EXERCISE

### Q.1 A) Select the correct option and rewrite the sentence.

- 1) Small Industrial Development Bank of India (SIDBI) was established in .....  
a) 1989                      b) 1990                      c) 1991
- 2) SIDBI was established under the Small Industrial Development Bank of India Act, .....  
a) 1988                      b) 1992                      c) 1996
- 3) ..... is Principal Financial Institution for Promotion, the Micro, Small and Medium Enterprise (MSME) sector in India.  
a) NABARD                      b) KVIC                      c) SIDBI
- 4) ..... came into existence on July 12, 1982  
a) NABARD                      b) KVIC                      c) SIDBI
- 5) A Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) was constituted under the Chairmanship of .....  
a) Kothari                      b) Shivaraman                      c) Rangrajan
- 6) All India Khadi and Village Industries Board was set up in the year .....  
a) 1953                      b) 1949                      c) 1948
- 7) In April ..... KVIC was established.  
a) 1955                      b) 1953                      c) 1957

**B) Match the pairs.**

Group 'A'		Group 'B'	
A)	SIDBI	1)	1944
B)	NABARD	2)	1990
C)	World Bank	3)	1988
D)	Grameen Bank	4)	1983
E)	KVIC	5)	1982
		6)	1957
		7)	1932
		8)	1956
		9)	1912
		10)	1960

**C) Give one word / phrase / term for the following sentences.**

- 1) Life blood of business.
- 2) Principal Financial Institution for Promotion of the Micro, Small and Medium Enterprise (MSME) sector in India.
- 3) Advisor and Mentor for MSMEs.
- 4) Wholly owned subsidiary of IDBI was set up in July 1999, is providing venture capital.
- 5) Digital initiative by SIDBI launched on March 17th, 2016.
- 6) The apex institution for agricultural finance.
- 7) The Bangladeshi economist, known as the Father of Microfinance.
- 8) An international organization dedicated to providing finance, advice and research to developing nations.

**D) State True or False.**

- 1) Small Industrial Development Bank was established on 2<sup>nd</sup> April, 1990.
- 2) SIDBI has its head office at Mumbai.
- 3) SIDBI is not working towards sustainable development of MSME's in India.
- 4) SIDBI, Startup Mitra scheme is launched on March 17<sup>th</sup>, 2016.
- 5) NABARD came into existence on July 12, 1982.
- 6) The NABARD has been recognised as the apex institution for financing large scale Industries.
- 7) KVIC is actively working for planning, promotion and production of Khadi as well as in setting up of village and rural Industries on India.
- 8) Dr. Mohammad Yunus is known as the 'father of Rural Banking.'
- 9) Self Help Group is a large group of homogeneous individuals.

**E) Complete the sentences.**

- 1) The lifeblood of a business is .....
- 2) Micro, Small and Medium Enterprises (MSME's) are focused domains for .....
- 3) SIDBI takes structural initiatives to resolve the financial and non-financial hurdles of .....
- 4) SIDBI is established to provide short-term and long-term finance to .....
- 5) 'SIDBI startup Mitra' launched on .....
- 6) To improve accessibility of credit and handholding services to MSME's, SIDBI has launched the .....
- 7) NABARD came into existence on .....
- 8) Khadi and Village Industries Commission was set up in .....
- 9) A statutory body of Khadi and Village Industries Commission (KVIC) was created with a special Act of .....
- 10) The Grameen Bank in Bangladesh was set up in .....
- 11) The father of Micro finance is .....
- 12) The World Bank came into existence on .....
- 13) The headquarter of World Bank is in .....
- 14) Dr. Muhammad Yunus jointly won the Nobel Prize in .....

**F) Complete the following table.**

A		B
1)	SIDBI	.....
2)	.....	NABARD
3)	KVIC	.....
4)	.....	World Bank
5)	Grameen Bank	.....

(1957, 1944, 2nd April 1980, Oct. 1983, 12 July 1982)

**G) Answer in one sentence.**

- 1) What is SIDBI?
- 2) What do you mean by NABARD?
- 3) What is meant by Grameen Bank?
- 4) What is SHG?
- 5) What do you mean by world Bank?
- 6) What is MSME's?
- 7) What is Udyami Mitra?

**H) Correct the underlined word and rewrite the following sentence.**

- 1) SIDBI is established to provide only long-term finance to the MSME's.
- 2) The NABARD has been recognised as the apex institution for industrial finance.

- 3) Khadi was symbol and the spirit of self reliance in post independence India.
- 4) Self-help groups are based on the fundamental principle of to earn profit.
- 5) World Bank provides high interest loan.

**Q.2 Explain the following terms/concepts.**

- 1) Udyami Mitra
- 2) KVIC
- 3) World Bank
- 4) Self-Help-Group
- 5) Collateral free loan

**Q.3 Study the following case/situation and express your opinion.**

- 1) Anand completed his MBA and wants to start a Small Scale Industry. He is good at using technology. He has very good business idea in mind and looking for a lender or investor.
  - i) Who is promoter or businessman in this case?
  - ii) What is full form of SSI?
  - iii) Suggest any one digital way to find lender or investor for this initiative.

**Q.4 Answer in brief.**

- 1) State any four features of NABARD.
- 2) State any four objectives of KVIC
- 3) Write any four features of World Bank.
- 4) Describe any two features of self-help Group.
- 5) Describe any two features of SIDBI.

**Q.5 Justify the following statements.**

- 1) SIDBI acts as an institute for promotion of MSMEs.
- 2) SIDBI provides different types of financial and non-financial services through its subsidiaries.
- 3) The NABARD has been recognized as the apex institution for agricultural finance.
- 4) KVIC plays an important role in development of entrepreneurship.
- 5) Mutual Trust is the soul of SHG.
- 6) SHGs plays an important role in empowerment of women.
- 7) World Bank plays vital role in social development.

**Q.6 Attempt the following.**

- 1) State the different forms of finances provided by SIDBI.
- 2) State the role of SIDBI in sustainable development.
- 3) Explain role of NABARD in financing rural industries.
- 4) Explain objectives of KVIC.



- 5) Explain the role of KVIC in employment generation.
- 6) Explain in detail democratic setup in SHGs.
- 7) Explain organizational structure of World Bank .

**Q.7 Answer the following.**

- 1) Write important features of SIDBI.
- 2) Write important features of NABARD.
- 3) Write important features of KVIC.
- 4) Write important features of SHGs.
- 5) Write important features of World Bank.

