

Marks: 40	FYJC Subject: Organisation of Commerce Topic – Institutes Supporting Business (Chap. 6)	Time: 1.5 Hrs.
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Q.1. (A) Complete the sentences. (5 Marks)

1. The Grameen Bank in Bangladesh was set up in October 1983.
2. The father of Micro finance is Dr. Muhammad Yunus.
3. The World Bank came into existence on 1944.
4. The headquarter of World Bank is in Washington.
5. Dr. Muhammad Yunus jointly won the Noble Prize in 2006.

Q.1. (B) Match the Pairs. (5 Marks)

Ans.

Group 'A'		Group 'B'	
A)	SIDBI	1)	1990
B)	NABARD	2)	1982
C)	World Bank	3)	1944
D)	Grameen Bank	4)	1983
E)	KVIC	5)	1957

Q.1. (C) Give one word. (5 Marks)

1. Advisor and Mentor for MSMEs.

Ans. SIDBI

2. Wholly owned subsidiary of IDBI was set up in July 1999, is providing venture capital.

Ans. SVCL

3. Digital initiative by SIDBI launched on March 17th, 2016.

Ans. Startup Mitra

4. The apex institution for agricultural finance.

Ans. NABARD

5. The Bangladeshi economist, known as the Father of Microfinance.

Ans. Dr. Muhammad Yunus

Q.2. Short Notes. (Any three) (15 Marks)

1. Features of SIDBI.

Ans. 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 cater 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 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 MS ME dedicated third-party rating agency to provide comprehensive, transparent and reliable ratings and risk profiling.
 - iv) India SME Technology Services Limited (1STSL) - 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 take 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.

2. Features of NABARD.

Ans. 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.

3. Features of KVIC

Ans. 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 play 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 liny, 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 finance 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 undertake 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.

4. Features of Women's Self Help Groups.

Ans. 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 Entrepreneur ship:** 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 moneylenders 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.

5. Features of World Bank

Ans. 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

Q.3. Justify the following statements. (Any Five)

(10 Marks)

1. SIDBI acts as an institute for promotion of MSMEs.

Ans. (1) SIDBI was a wholly owned subsidiary of Industrial Development Bank of India (IDBI). It was established on 2nd April, 1990 as the principal financial institution to provide short term and long term finance to the Micro, Small and Medium Enterprises (MSMEs). SIDBI has initiated the process of technological upgradation and modernisation of existing MSMEs. It also expands the channels for marketing the products of MSMEs.

(2) SIDBI coordinates the functions of several institutions that are engaged in financing MSMEs. It refinances Banking and Non-Banking Financial Companies (NBFC) to increase supply of credit to MSMEs. SIDBI also lends directly to

MSMEs it also caters to the specific needs of Indian MSMEs that are not fulfilled through traditional sources of finance. Thus, SIDBI acts as an institute for promotion of MSMEs.

2. SIDBI provides different types of financial and non-financial services through its subsidiaries.

Ans. SIDBI provides different types of financial and non-financial services through its subsidiaries and those subsidiaries are:

- (1) SIDBI Venture Capital Limited (SVCL):** It is wholly owned subsidiary of SIDBI which was established in July 1999. SVCL is providing Venture Capital to emerging sectors like life sciences, biotechnology, pharmaceuticals, engineering and information technology.
- (2) Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE):** It is a trust which implements the Credit Guarantee Scheme (COS). Under this scheme, credit facilities are given without third party guarantee on collateral security by eligible lending banks or financial institutions.
- (3) SME Rating Agency of India Limited (SMERA):** It was established by SIDBI, DUN & Bradstreet Information Services India Private Limited (D & B) and several other Indian and foreign sector banks as an MSME dedicated third party rating agency to provide comprehensive, transparent and reliable ratings and risk profiling.
- (4) India SME Technology Services Limited (ISTSL):** It is a platform where MSMEs can tap opportunities at the international level for acquiring new and emerging / green technologies or establish business collaboration.
- (5) India SME Asset Reconstruction Company Limited (ISARC):** It is an Asset Reconstruction Company (ARC) to acquire non-performing assets (NPAs) and to resolve them through its innovative mechanism with a special attention on the NPAs of MSME sector.
- (6) Micro Units Development and Refinance Agency (MUDRA):** It is set up for funding the 'unfunded' micro enterprises in the country.

3. The NABARD has been recognized as the apex institution for agriculture finance.

Ans. (1) NABARD was established as an apex (topmost) financial institution to provide financial assistance to the agricultural sector, small business, industry, cottage and village industries, handicrafts and other rural crafts through State Co-operative Banks, Regional Rural Banks and Land Development Banks. It was established on 12th July 1982, on the recommendations of Shri B. Shivaraman Committee appointed by the Reserve Bank of India (RBI).

(2) NABARD acts as an apex bank to meet credit needs of all types of financial institutions working in the field of agriculture and rural development. It prepares and frames policies and guidelines and provides credit facilities to the rural financial institutions working in agricultural sector. NABARD also monitors the

flow of credit in rural areas. It implements the agricultural credit policy of the Central Government and the RBI.

4. KVIC plays an important role in development of entrepreneurship.

Ans. (1) The development of entrepreneurship is one of the important functions of Khadi and Village Industries Commission (KVIC). The KVIC provides employment to rural artisans and other people. It also helps to provide additional livelihood avenues to the village communities. KVIC generates self-employment opportunities through establishing and starting micro enterprises. The micro enterprises are established by organising traditional artisans and unemployed youth. Many small entrepreneurs increase their earning capacity by organising and managing the micro enterprises in rural areas.

(2) KVIC generates self employment and provide opportunities, develop capabilities of many entrepreneurs. Micro enterprises use untapped manpower and resources in the rural areas which in turn generates employment opportunities for many individuals. As a result migration from rural to urban areas declines. The KVIC also participates in many international trade exhibitions to popularise products of entrepreneurs in International.

5. Mutual Trust is the soul of SHG.

Ans. (1) Self Help Group (SHG) is a small group of homogeneous individuals. It is usually formed by Non-Government Organisations (NGOs). The people in most of the villages in India are facing challenges such as poverty, illiteracy, lack of skills, health, etc. Every individual finds it difficult to overcome these problems. To solve these problems group efforts and mutual trust are required. The basic idea in establishing SHG is to overcome individuals weaknesses and shortcoming with collective efforts.

(2) SHGs work smoothly on the mutual trust of the members of the group. SHGs are working hard to bring change in rural area. SHG brings together rural poor and marginalised individuals to solve the problems of individuals and problems of community as a whole. Through mutual trust more number of the rural poor and marginalised individuals are improving and building their lives, their families and their society. Government also gives due recognition to SHG for effective implementation of development scheme at the grass root level.

6. SHGs plays an important role in empowerment of women.

Ans. (1) Self Help Groups (SHGs) are based on the fundamental principles of "helping each other" and "unity is strength". A SHG is a small group of homogeneous individuals who come together with the objective of creating common fund through savings and solve members' emergency financial needs by providing collateral free loan. SHG inculcates savings habits among the women and enhances economic status of women in the society. When SHG is managed by the women, it is known as women's SHG. Empowerment of women is recognised as the need of the hour.

(2) SHG is a powerful tool for socio-economic development of women all over the world. SHG are now working actively in promoting women entrepreneurship. Government now provides financial and non-financial assistance to SHGs for women empowerment. SHGs empower the women by providing them knowledge, education, finance and opportunities. SHGs empower women and trains them to take active part in socio-economic progress of nation. The empowerment of women through SHGs would benefits individuals women, her family and ultimately whole community.

7. World Bank plays vital role in social development.

Ans. (1) The World Bank is an international organisation dedicated to provide finance, advice and research to developing countries in the world to aid their social and economic advancement. It provides developmental assistance to middle and poor income countries. It supports economic development by giving loans and offering advice and training to both the private sector and public sector. It focuses on Improving education, health and infra-structure.

(2) The World Bank works with different entities such as government, communities, civil societies, the private sector and marginalised individuals for the cause of social development. Social development facilitates economic growth and leads to higher quality of life. The World Bank's work on social development brings voices of poor and vulnerable into development processes. World Bank also undertakes timely social risk analysis, including poverty and social impact analysis.