

6) What is the basic idea behind the SHGs for the poor?

The basic idea behind the formation of SHGs is to create self-employment for the poor, particularly rural poor women. Self-help groups are seen as instruments for goals including empowering

women, developing leadership abilities among the poor and the needy people, increasing school enrollments and improving nutrition and the use of birth control. In countries like India, SHGs bridge the gap between high caste & low-caste members. They also provide timely loans at a responsible interest rate without collateral.

Main objectives -

- o To organize rural poor especially women into small self help groups. A typical SHG has 15-20 members.
- o To collect savings of their members.
- o To provide loans without collateral
- o To provide timely loans for a variety of purposes
- o To provide loans at responsible rate of interest and easy terms

8) In what ways - does the Reserve Bank of India supervise the functioning of banks? Why is this necessary? The RBI supervises the function of banks in no. of ways -

- RBI checks that - actually maintain a minimum cash balance - out of the deposit - they receive. (currently it's 15%).

- RBI observes that the banks give loans not just to profit making business and traders, but also to small cultivators, small scale industries, small borrowers etc.

- The commercial banks have to submit information to the RBI on how much they are lending to whom, at what interest rate etc.

This is necessary to ensure equality in the economy of the country and protect especially small depositors, farmers, small scale industries, small borrowers etc. Further, RBI

monitoring ensures that banks do not loan more than they are supposed to, as such an action can create a crisis situation. Great Depression of 1930 is an example of such a crisis situation.

9) Analyse the role of credit for development.

Cheap & affordable credit plays a crucial role in the country's development. There is a huge demand for loans for various economic activities. The credit helps people to meet the ongoing expenses of production & thereby develop their business. Many people could then borrow for a variety of different needs. Credit helps in expansion of one's business, farmers can grow a variety of crops, procure equipment for farming & send their children for higher education etc.