

Chapter-4

Our Financial Institution

We have noticed that credit or loan (debt) is essential for the fulfilment of need of money. In our day-to-day life, requirement of credit or loan can be fulfilled by the financial institutions of the state. Today, credit or loan is very important in our economic life. For the execution of any type of economic activity, a person cannot fulfill all industrial and commercial need through the medium of available resources, even though (he is a wealthy person) or he is blessed with sufficient amount of resources. We have to depend on government or semi-government financial institutions for this type of financial management. This is to be noted here that financial institutions established or administered by government or through the cooperation and participation of the people, are known as semi-government financial institutions. For example, on the one hand, credit or loan is made available by financial institutions established or governed by government and on the other, semi-government institutions established on the basis of co-operation advances loan to agricultural sector. BISCAMAN is an institution in Bihar, relevant to cooperation, advances loan or credit especially to agricultural sector. In other states of the country also, co-operation based main institutions are functioning on the basis of same approach. These institutions are known as institutions of co-operative sector of banking systems. At present the micro-financing in Bangladesh has encouraged the sincere efforts towards the arrangement of availability of credit or loan for small poor farmers of the villages through the medium of mutual co-operation on a small scale.

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We will discuss in detail financial institutions, which make available credit or loan in our daily life.

Financial Institutions:

Financial institutions are those institutions in monetary sector of a country or state which complete the activities related to credit or money for the fulfilment of human need. Financial management for economic activities such as agriculture, industry and trade is done through financial institutions. These institutions advance loans for short term, medium term and long term on the basis of need for the economic development of society. For the completion of any type of economic and business activity, money is required. It is impossible for any industrialist to run his business activity on his own resource, due to lack of sufficient economic resources. In this situation, financial institutions make available to people economic resources according to their need and demand.

Financial Institutions:

All those institutions of our country who fulfil the financial need of enterprise and business are known as financial institutions. Generally these financial institutions are governed by state and function under the direction of Reserve Bank of India on a fixed standard.

Government Financial Institutions:

Financial Institutions established and governed by government is known as Government Financial Institutions. For e.g. State Bank of India, Central Bank of India, Punjab National Bank, Allahabad Bank etc.

Semi-Government Financial Institutions:

All those financial institutions which work under the direction of central bank (Reserve Bank of India) of the government on the standard as fixed by RBI to fulfill the financial need of the people of the society are known as semi-government financial institutions. For e.g. Regional Rural Bank, Bihar State Co-operative Bank etc.

Micro-Financial Institutions:

All institutions which advance credit or loan at low interest to poor needy persons through the medium of self-financed institution on small scale are known as Micro financial institutions. Prof. Md. Yunus of neighbouring country Bangladesh was awarded Nobel Prize for the appreciable effort in this regard. He helped the poor rural in the developmental activity through micro financial management. This can be used for the neglected rural sector in Bihar.

It is clear from above that the amount of capital required for economic development of country is provided by financial institutions. It is to be noted here that these financial institutions meet financial requirements of their customers on the basis of fixed legal standard. All people or commercial establishment which are involved in the process of development and demand for money for the completion of their own activities are the customers of financial institutions. Participation and involvement of financial institutions is essential for economic development, without which development process cannot be completed.

Kind of Financial Institutions: Financial Institutions are of two types—

- a. National Financial Institutions
- b. State level Financial Institutions

a. **National Financial Institutions**

All financial institutions which determine and direct financial and credit policies of the country and implement the activities of financial arrangement at national level, are known as National Financial Institutions.

There are two important parts of the financial institutions.

- **Indian Money Market**
- **Indian Capital Market**

In a money market where short term and medium term provision and management of financial need is done for the industrial and business sector of the country is known as Indian Money Market. Long term provision and management of financial need of industries and business is fulfilled in Indian Capital Market.

Generally, Indian Money Market is divided into organized and unorganized sector. All commercial banks, private sector banks, public sector banks and foreign banks come under organized sector. Money lender including non-banking financial institutions come under unorganized sector.

Organised banking system of the country functions in the form of three types of banking form.

1. **Central Bank :**

Reserve Bank of India is the central bank of India. This, as the head of the banking institutions of the country helps in directing and conduction of banking, financial and economic activities.

2. **Commercial Bank :**

Conduction of banking and financial activities is possible in the country by many commercial banks. Majority of commercial banks working under the direct control of the govt. is known as nationalized commercial banks. Some of the commercial banks are known as private sector commercial banks. All the banks with 'Ltd.' at the end of their name is known as private sector banks.

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3. Co-operative Bank :

Many financial institutions function in co-operative sector on the basis of mutual cooperation and goodwill. Co-operative bank is known in different states by different names. Although these banks function on the direction of RBI, but their management is done through state government.

Industrialists and agriculturists are provided financial assistance through these financial institutions in India, which encouraged the development of many industrial houses. Major industries are their main examples. Farmers are profited by these financial institutions and industries are being developed by them.

Organized Banking System:

1. Central Bank: RBI is the central bank of India. This functions as the main banking system.
2. Commercial Bank: All banking and financial activities are performed through commercial banks.
3. Cooperative Bank: Financial Institutions working on the basis of co-operation and goodwill are known as co-operative bank, even though they are operated through state government.

Indian Capital Market:

Indian capital market provides long term capital. Long term capital is demanded for implementation of public construction activities and large scale industries. This is classified as follows:



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Indian capital market is basically dependent on these four financial institutions. All national level development activities such as road, railway, hospital, educational institutions, electricity generation machines, major industries of private as well as public sector are performed because of these long term capital. As a consequence, financial institutions have contributed in the building of the nation.

Financial Institutions are backbone of any country. Organized financial institutions are essential for economic development of a country. It is a matter of satisfaction that in 'Mumbai', the financial capital of India, there is an organized capital market, through which finance is arranged for industrial sector. Because of the strong capital market, India is less affected by ongoing worldwide economic depression at present. The main sector of the capital market is known as Dalal Street. Bihar is industrially backward in the absence of healthy and organized financial institutions. Banks advance low percentage of money deposited by people of Bihar as loan to the agricultural and industrial sector. So, because of the absence of healthy financial institutions, economic development of Bihar is not possible at a high speed. During the last few years because of continuous effort of Bihar government, limit of investment by banks for agriculture and industry has increased. But even now this is not enough to meet the requirement of economic development and human welfare.

State Level Financial Institutions (in the context of Bihar)

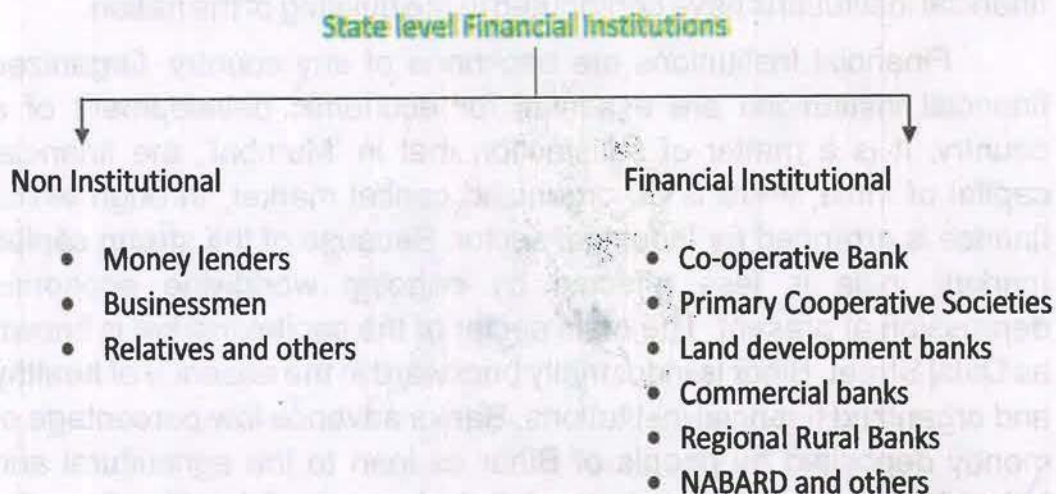
We know that the economy of Bihar is primarily based on agriculture. 87% of the population live in village and around 75% people are directly or indirectly associated with agriculture and is related to small scale industries.

Majorities of farmers come under the category of marginal farmer, whose income is low and save marginally. Thus, they are unable to invest in agriculture and its related industries, and that is why loan or capital is mostly required from these financial institutions.

There are two types of financial institutions:

1. Non-Institutional financial institutions
2. Financial Institutions

Credit or loan can be made available through these institutions.

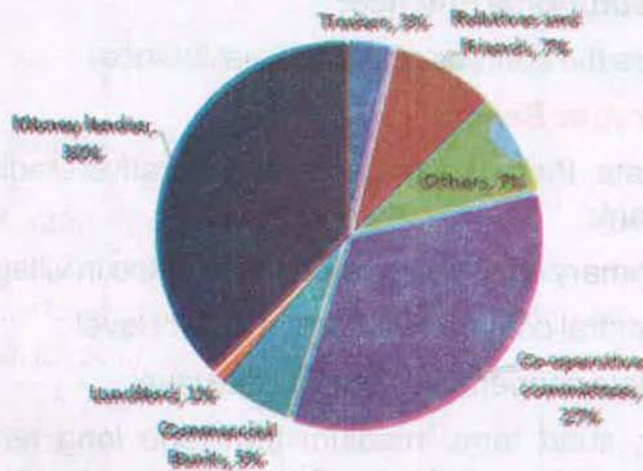


Non-Institutional Financial Institutions

Even today, money lenders advancing loan to the villages is the most famous source of advancing loans. It is easier to acquire loan from money lenders. These money lenders and businessmen advance loan to villagers for production and consumption related activities. Advancing of loan is based on the mortgage of land, jewellery and costly items. At the time of failure of repayment of loan, these things are sold for payment of loan. Rate of interest charged for loan on the mortgage basis is always higher than government rate of interest. In the absence of timely payment of loan, repayment becomes difficult.

Easy availability of loan for villagers is also possible from farmers, relatives and others with and without interest. Non-financial institutions contribute 48% of the total loan given to rural sectors. This can be explained with the help of a pie-chart.

Average statistics of source of credit (2003) of rural families of India



Story based on loan given by Non-Institutional Financial Institutions

Dindayal is a poor agricultural labourer. He has two sons and three daughters. Husband and wife work in agricultural lands and earn their livelihood. He barely earns his livelihood from this labour. He owns only 4 Katha of land on which he used to produce vegetables. One day, Dindayal's wife fell ill seriously. He became tired of treatment in the village. Rural doctor advised him to take her for treatment to the town, but he was unable to do so because of insufficient money. So Dindayal mortgaged his land to the farmer and borrowed Rs. Two thousand on ten percent per month rate of interest. Dindayal became bankrupt after the treatment of his wife in the town. He could not repay the loan to the farmer for many days. As a consequence, the farmer got the land transferred in his own name.

Thus, it is clear from this story that though non-financial institutions advance loan to the poor at the time of necessity, the high rate of interest and ill treatment of money lenders, poor labourers are very much exploited.

Sources of Institutional Finance:

These are the sources of institutional finance:

1. Co-operative Bank:

In our state, there is a three-tier co-operative credit system by co-operative bank:

- a. Primary cooperative credit committee in villages.
- b. Central cooperative bank at district level
- c. State cooperative bank at state level

In Bihar, short term, medium term and long term credit is provided to farmer through the medium of cooperative banks. There are 25 central cooperative banks at district level but the Bihar State Cooperative Bank functions at state level.

2. Primary Cooperative Societies:

These are established to meet the requirement of short term loan for agricultural sector. At least ten persons of a village or a place can form a primary credit society. These societies are known as primary agricultural cooperative societies PACS. These societies advance loan for short period i.e. for one year. But in a special situation, this period can be extended to three year. According to the 10th Five Year Plan in Bihar, 6845 primary cooperative agricultural credit societies are functioning.

3. Land Development Bank: Land mortgage bank which used to advance long term loan to farmer in state is today known as Land Development Bank. This bank advances long term loan to the farmer

for stable development and improvement of mortgage of land. Land Development Bank advances loan for state improvement in agriculture repayment of old loan, construction of houses and for purchasing tractor, power tiller and pumping set for the period of 15 or 20 years. Primary unit is known as cooperative agriculture and rural development bank. Bihar state Land Development Bank functions at state level, which is also known as state cooperative Agriculture and Rural Development Bank.

4. Commercial Bank :

After the public control of the banks policy in 1968 and Nationalisation of bank in 1969, commercial banks started advancing larger quantity of loan to farmers in the country. Total number of banks and its branches have increased in Bihar and their contribution to the agricultural sector through credit or loan is explained below as follows:

Agricultural Credit in Bihar by Commercial Bank

Year	Rupees in crore
1972	7.30
1990-91	181.00
1995-96	242.00
2001	548.00

Source : Reserve Bank of India and State Focus paper of Bihar 2002-03

Although farmers are provided the credit facility by commercial banks in the state, but is not sufficient according to the need. In 2000-01, only 44% of estimated agricultural credit was advanced. There is requirement of more than 700 crores of agricultural credit, while availability was 548 crores only.

1. Regional Rural Bank:

In 1975, Regional Rural bank was established to meet the need of small and regional farmers, artisans and people of weaker classes. The regional rural bank in Bihar was established in the same year. Now 196 regional rural banks are functioning today in the country.

Brief account of credit sanctioned by Regional Rural Banks in Bihar in the past few years is mentioned below:

Available Credit in the state by Regional Rural Banks

Year	Rupees
March, 1992	43276
March, 1996	66360
March, 2001	107940

Source: Report for improvement in Regional Rural Bank Rule, 1976, Govt. of India, Finance Department, June, 2002.

It is clear from the above table, that the amount advanced as loan by regional rural banks in the state has increased. Even then they are unsuccessful in meeting the needs of small and marginal farmers.

NABARD:

National Agriculture and Rural Development Bank is the top most institution for refinancing of agricultural and rural development of the country. This bank provides finance to government institutions, commercial banks and regional rural banks for agricultural and rural development and they provide loan facility to farmers. In Bihar NABARD provided refinancing facility of 539.27 crores between 1998-99 and 200-01. Out of which 172.30 crores in 1998-99, 175.90 crores in 1999-2000 and 191.07 crores in 2000-01 were provided.

Besides, this, in Bihar, government provides credit facility in special situation for example, after some natural disasters like earthquake, flood, famine etc. And credit facility is being provided to people of small poor villages on small scale, which is enhancing rapidly.

Functions of Commercial Banks:

Commercial banks are primary banks in our country. They are an integral part of economy. Whenever the term 'bank' is used without any objective, it connotes to the commercial banks because of its importance. Infact, commercial banks serve the society through performing various activities.

These are the main functions of Commercial Banks.

I. Accepting Deposits:

The main function of commercial bank is to accept money in the form of deposit from the customers. Majority of the people or institutions, generally save a part of their saving and deposit their savings to earn interest and to save it from theft. These deposits are very important for banks because they provide the basis for advancing loans and earn a sufficient part of income as profit.

Function of Commercial Banks

1. Accepting Deposits
2. Providing Loans
3. General Utility Functions
4. Agency Functions

Commercial banks accept four types of deposits

i. Fixed Deposits :

In this type of deposits, money is deposited for a fixed period for example one year or more than one year. During this period, withdrawal of money is generally not accepted. These are known as time deposits. Banks extend attractive rate for interest on the money deposited for a fixed period.

ii. Current Deposits:

In this type of deposit, a person deposits and withdraws money according to his desire.

iii. Saving Deposits:

In this type of deposit, a person can deposit money anytime but the right to

withdraw money is limited, and withdrawal is also not possible for more than a fixed amount. The cheque facility is promoted for this type of deposits.

iv. Recurring Deposits:

In this type of deposits, commercial banks accept a fixed amount per month in the form of deposits for a fixed period of 60 or 72 months and give a fixed amount also. There is cumulative time deposits also.

Type of deposits accepted by Commercial Banks

1. Fixed Deposits
2. Current Deposits
3. Saving Deposits
4. Recurring Deposits

i. Collecting business information and statistics

Because of their awareness of economic situation, banks collect business information and statistics and hence advise their customers on financial matters.

4. Agency Function:

Today, commercial banks serve as an agent to its customers. Under agency function (a) Collection of cheques, bills and drafts, (b) Collection and distribution of interest and profit (c) Collection and repayment of loans, instalment of loans and insurance premium (d) Exchange of securities and (e) Transfer of funds through draft and post etc. activities are performed.

Co-operation and its Role in the Development of State

Co-operation:

During the last century, co-operation was started for the upliftment of poor and weaker sections of the society. The meaning of the word 'co-operation' is 'to work together'. But in economics, this word has a wider meaning. 'Co-operation is an organization through which two or more than two persons- according to their wishes, try to meet economic interest on the general level. Thus co-operation is economic system in which people work together for the fulfillment of any economic objective. The principle of co-operation explains that poor and powerless people, by working together, can get all physical advantages and happiness through trading partnership which rich and wealthy persons usually get, and they can be developed morally. Achievement of high development and more prosperity can be expected on the basis of cooperation in which efficient agriculture and prosperous life is possible. Lastly, its principle is "All for each and each for all."

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Important Elements:

There are three basic principles of Co-operation. Firstly, the membership of the organization is optional. People generally become members of their organization according to their desire. There is no external pressure or binding on them. Secondly, its management and conduction is democratic. There is no discrimination among the members because of capital, states or any other basis. All are treated equally and all avail the same rights and opportunities. Thirdly, it includes moral and social elements in economic objectives. It functions not only for earning profit but also in the interest of its members from moral and social aspect also. Its objective is not to be rich by exploiting others but to enhance profit and economic prosperity of people and groups of people through self-help and mutual co-operation.

Importance of Co-operation in India:

At the beginning of the last century, the emphasis was given on the establishment of co-operative societies for the poor and weaker sections of people and to make them available loans at cheaper rate of interest. For the first time in 1904, Co-operative credit society was enacted according to which ten persons of a village or city together can establish co-operative credit society. In 1912, one more act was enacted to bring about improvement in the process of working and expansion of co-operative societies established under the act of 1904.

According to this new act provision was made for the establishment of co-operative societies for fulfillment of other objectives other than loans and establishment of central organization for taking care of primary societies. Immediately in 1914, MacLagan Committee was appointed for evaluation of its progress and to determine the framework of its future development. In 1919, according to political reform, co-operation became transferred subject of provincial government. So, its administration went in the lands of the government.

II. Providing Loans:

Another important work of commercial bank is to advance loan to the people. After keeping certain percentage of deposits accepted by customers as there serve fund, rest of the money is lent out to the other people by bank. These banks advance loan for productive activities on the basis of security. The amount of loan is less than the value of security given by customers. Different types of loans are advanced by commercial banks.

ii. Loans at call and short notices:

These types of loans are for short period i.e. from one day to one week, and which is repaid on demand. Thus money making institutions generally demand this type of loan.

ii. Cash Credit:

Under this, credit banks advance loan on the basis of bonds, trading goods or securities.

Different types of loans provided by commercial banks

- i. Loans at call and short notice.
- ii. Cash credits
- iii. Overdraft
- iv. Discounting of Bill of exchange
- v. Loans and advances

iii. Overdraft :

When commercial banks give permission to withdraw more than the deposited money to its customers, then it is known as overdraft facility.

iv. Discounting of Bill of Exchange:

In this type of loan, banks make payment of loans after making some discount to loanee. Generally, discounting rate is same as rate of interest.

v. Loans and Advances:

When loan is advanced for pre-determined period, then it is known as loan or advance. Bank charges high rate of interest and accepts security for the type of loan.

I. General Utility Functions:

Commercial banks perform many other functions which are known as general utility functions.

i. Traveler's Cheque and to issue letter of credit:

These banks issue traveler's cheque and letter of credit also, through which businessmen can buy things easily from foreign countries. By issuing letters of credit, modern banks help in exchange of goods and services.

ii. Locker facilities

Banks also provide locker facilities to its customers in which people keep their gold and silver jewellery and important documents safely. Its yearly rent is very low.

iii. ATM and Credit Card Facilities:

Nowadays, banks provide facility of withdrawal of money throughout twenty four hours to their account holders with ATM service. Because of credit card facility, customers can make payment of fixed amount within and outside country on the purchase.

Other services provided to customers by commercial banks:

- i. Traveler's cheque and letters of credit
- ii. Locker facilities
- iii. ATM and Credit Card facilities
- iv. Collecting business information and statistics

Great economic depression of 1929 stopped its development. But in 1935, RBI was established in India. Under it one agricultural credit department was established, which functions for advancing economic help for agricultural development and giving important suggestions. Co-operative banks meet the financial requirement of co-operative societies, which function at three steps which is shown in the box.

Co-operative Banks

1. Primary
2. Co-operative Societies
3. State Co-operative banks
4. Central Co-operative banks

It's Role in Development of State

Bihar is a backward state of India. Before division of Bihar, its economic resources were enormous. But after the division, all these resources went out of today's Bihar. That part of the land where natural resources were mostly concentrated, after the division of state went to Jharkhand. As consequence in the rest part of Bihar, the agricultural land is the only resource. 80% of the population of Bihar depend on agriculture. Here agriculture also depends on monsoon. Generally investment in agriculture is considered as gamble. Because agriculture is the main basis of livelihood of Bihari people, so even in economic deprivation farmers and labourers of Bihar are forced to spend on agriculture.

Especially in Bihar, paddy harvesting, fragrance stick production, bidi production, shoes and brick construction etc. are important employment opportunities which are run with the help of cooperation. For this cooperative bank loans are made available at the state level. Because of these cooperative banks, employment is increasing to a large extent at village level. Wherever these types of employment opportunities exist, their effect on the people of that place is observed. Consequently per capita income is increasing and the living standard of the people is also improving.

Self-help groups:

Its role in the development of villages, town and districts:

In the last unit we have seen that even today poor families of a country depend mainly on non-institutional sources of loans. Non-availability of banking facility in some of the villages of India is one of the reasons for this. On the other hand, sources of non-institutional for example money lenders and businessmen become ready to advance the loans without any security because of their personal acquaintances on individual level. But, they charge high rate of interest. They don't even complete the written statement and exploit the poor and weak.

In recent years, they started using new techniques for giving loans to poor. Out of these, one is based on the organization of small self-help group of poor, specially, women and collection of saving capital.

Self-help group is an optional and institutional association of the people, who are equal on social and economic level. This is operated by rules, and functions effortlessly for mutual co-operation and development. This is helpful in satisfying basic needs of the life and helps in controlling their life in a better way.

Self-help Group

Self-help group is infact an informal group of 15-20 persons basically women of a village, who fulfill the needs of their family with their savings to short term loans from banks, and contribute towards the development of villages and women empowerment through development activities.

This can be understood with the help of the figure 4.1



Fig. 4.1 : Self help group

Historical Background:

For the first time in India, in the last century of 1980, some of the self-help organization started organizing the people of rural sector for the conduction of income-related activities. Because of the initiative and special interest taken by NABARD (National Bank for Agriculture and Rural Development) in the early century of 1990 self-help groups spread all over the country. Now, all government and non-government banks and social and economic organizations have started encouraging its development by accepting its importance. Self-help group is the new ray of hope for giving belief to the families from poverty, who were suffering from the bites of poverty from generation to generation.

Introduction:

One self-help group includes 15 to 20 members of the neighbourhood, who meet together daily and save. Per capita saving varies from Rs. 25 to 100 or more. This depends on the capacity of saving of the family. This group charges interest for loan but this is less than charged by businessmen.

After saving for a year or two continuously the group becomes ready for loan. Loan is advanced in the name of group for the creation of self employment opportunities for its members. For example, members are provided short term loan for release of the land form mortgage for need of working capital (for purchase of seed, fertilizers, bamboo and clothes), construction of houses and buying of sewing machine, handloom, animals etc.

All the important decisions regarding saving and loan activities are generally taken by members of the group. It makes decision regarding loan and its objective, its amount, interest rate and the time of repayment etc. the responsibility of the group is the repayment of loan. If any member does not return the loan, the other members take it seriously. This is the reason banks become ready to advance loan, when they organize themselves in self-help groups, although they do not have basis of loan.

Thus we see that self-help group helps the people in getting loan without any security. They are in a position to get the loan at a reasonable rate of interest of their different needs from time to time. Above all, it helps in organizing the poor of rural sector of different districts, villages and localities. It

Self-Help Group and Microfinance Planning : Micro-finance planning is a planning, through which poor people from villages, kasba and district are attached with Self Help Group and provided loan. In this plan, loans are given at micro level.

not only helps women in becoming economically independent but people get a (common) general state due to the regular meetings of the people of the group. This is the common place where they can discuss between themselves, about the social matters, such as, health, nutrition and domestic violence etc.

Self Help Group:

Self-help group can be understood with the help of a story. Nawada is a very backward district of Bihar. Gobindpur is a block of this distraction, whose natural surroundings are very beautiful. There is a mountain's river in the village known as Salari river. Darshan is a small village besides this river. Soil erosion in this village is continuously increasing because of the flood. The main occupation of the people of this village is agricultural labour. Besides agriculture, people move here and there for earning in the off season. Twenty women of this village made a group. After making a group, these women approached the block and got a loan of Rs. 15,000/- from Punjab National Bank and together they started making baskets. This industry started with the help of the group. At the beginning profit was Rs. 6,000/- from this basket-making industry. All women opened their account in the bank separately and distributed this amount equally amongst them and deposited Rs. 300/- as income per women in their account. Now these women by self employment through self-help group started improving their economic situation. Today, this group is the Premier self-help group in this block and also the most popular at block level.

This story can be understand with the fig. 4.2



Fig. 4.2: Basket making women working together in the self-help group

In the above figure 4.2 women making basket through self-help group is shown.

SUMMARY

- Financial Institutions meet the requirement of credit or loan. These financial institutions are established and regulated by government or semi-government financial institution.
- Financial Institution — Those institutions which fulfill the financial need of industry and business for economic development are known as financial institutions.

- Types of Financial Institutions — They are of two types (1) National Level, and (2) State Level Financial Institutions.
- National Financial Institutions: Institutions that direct and determine financial and credit policies of the country and implement activities related to financial management at National level are known as financial institutions.
- It has two important parts (a) Indian Money Market (b) Indian Capital Market. Indian Money Market makes arrangement and management of short term and medium term finance. Indian capital market makes arrangement and management of long term finance.
- Indian money market is divided into organized and unorganized sectors and Indian Capital Market is divided into securities market and industrial market, development financial institutions and non-banking finance companies.
- State level Financial Institutions : It has two important parts (a) Non-Institutional and (b) Institutional Financial source
- Commercial Bank: It performs four important functions: (a) Accepts deposits (b) Provides loan (c) General utility related functions (d) Agency function.
- Co-operation: Co-operation is an organization where people work together according to their desire for the fulfilment of general economic objectives.
- Self-help group: This is a group of 15 to 20 persons in the rural sector who borrow loan from banks to meet family needs and contribute towards the development of village.

Questions

Objective Questions:

I. Choose the correct option:

1. The most popular source of non-institutional finance is—

- (a) National banks (b) Money Lenders
(c) Traders (d) Co-operative Banks

2. Which of the following is the source of institutional finance?

- (a) Businessmen (b) Relatives
(c) Commercial Bank (d) Money lenders

3. Which is the Central Bank of India?

- (a) Reserve Bank of India (b) State Bank of India
(c) Regional Rural Bank (d) Punjab National Bank

4. What is the number of Central Co-operative Bank functioning in the state?

- (a) 50 (b) 35
(c) 75 (d) 25

5. Which institution promotes long term loans?

- (a) Agricultural lenders
(b) Land Development Banks
(c) Primary agricultural credit society (d) None of the above

6. Which is the financial capital of India?

- (a) Mumbai (b) Delhi
(c) Patna (d) Bangalore

7. When did co-operation become the transferred subject of provincial government?

- (a) 1929 (b) 1919
(c) 1918 (d) 1914

8. Today, the number of functioning regional rural banks is:

- (a) 190 (b) 192

9. When was commercial bank nationalized?
 (a) 1966 (b) 1980
 (c) 1969 (d) 1975

II. Fill in the blanks:

- _____ institutions meet the need of credit or loan.
- Businessmen provide _____ percent of loan in rural sector.
- Primary agricultural credit society provides farmers _____ loan.
- Reserve Bank of India was established in _____.
- Financial institution of any country is considered _____.
- Total number of members in the self group is _____.
- Saving and loan related rights decision in SHG is taken by _____.
- Commercial banks accept _____ type of deposits.
- Indian capital market provides _____.
- Micro finance scheme provides credit or loan facility on _____ scale.

III. Short Answer Questions: (Answer in about 20 words)

- What do you mean by financial institution?
- In how many parts are financial institution divided?
- Why do farmers need credit or loan?
- What are the different types of deposits accepted by commercial banks? Explain in brief.
- What do you mean by co-operation?
- What is self-help group?

7. When was co-operation started? Explain in brief.

8. Define Micro financing scheme.

IV. Long Answer Questions : (Answer in about 100 words)

1. What is National financial institution? In how many parts is it divided? Explain.

2. Explain the functions of state level financial institutional sources.

3. Discuss the main functions of commercial banks.

4. What are the important elements of co-operation. Explain its role in development.

5. What type of role do women play in the self-help group? Explain.

V. Project / Activity

On the basis of the questionnaire given below, find out, by investigating banks of the neighbourhood as to which group required what amount of loan. Whether the loan was made available to them or not, if the loan was made available to them, what were the loan amount and the loan was made available in how many days. If not, then discuss its causes. Indicate the following four points in project activity.

1. Name of the bank.

2. Background of loan applicant.

3. The amount of loan demanded.

4. The period of making possible the availability of loan.

Answer of objective questions

I. (1)b (2)c (3)a (4) d (5)b (6)a (7)b (8)d (9)c

II. (1) financial (2) 30% (3) short term (4) 1935 (5) backbone (6) 15-20 (7) Members of group (8) Four (9) Long term (10) small



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