1. **What is the basic objective of ‘Self Help Groups’? How do they work? Describe any four advantages of ‘Self Help Groups’ for the poor.**
The basic objective of ‘Self Help Groups’ is to organize rural poor, particularly women belonging to one neighbourhood into small Self Help Groups (15-20 members). These members save regularly and the amount varies from ₹25-100 or more depending upon their ability to save.
The four advantages of ‘Self Help Groups’ are as follows:
2. The members can take small loans from the group itself to meet their needs. The group charges interest on these loans which is still less than what moneylenders charge.
3. After a year or two, if the group is regular in savings, it becomes eligible for availing loan from the bank which is sanctioned in the name of the group to create self employment opportunities. All important decisions regarding loan, purpose, amount of interest, non-payment of loan are taken by the group members.
For instance, small loans are provided to the members for releasing mortgaged land, meeting working capital needs, for acquiring assets like sewing machines, handlooms, cattle etc.
4. Since non-repayment of loans is dealt with seriously by group members, therefore banks are willing to lend to the poor women when organized in SHGs, even though they have no collateral as such. Thus, the SHGs help women to become financially self reliant.
5. The regular meetings of the group provide a platform to discuss and act on a variety of social issues such as health, nutrition, domestic violence etc
6. **Which government body supervises the functioning of formal sources of loans in India? Explain its functioning.**
The Reserve Bank of India supervises the functioning of formal sources of loans.
Functions of Reserve Bank of India.
7. RBI requires commercial banks to maintain a minimum cash balance out of the deposits they receive. The RBI monitors that the banks actually maintain the cash balance.
8. RBI sees that the banks give loans not just to profit-making businesses and traders but also to small cultivators, small-scale industries, small borrowers, SHGs, etc.
9. RBI issues guidelines for fixing rate of interest on deposits and lending by commercial banks.
10. Periodically, banks have to submit information to the RBI on how much they are lending, to whom, at what interest rate, etc
11. **“Deposits with the banks are beneficial to the depositors as well as to the nation”. Examine the statement.**
Benefit of deposits to the depositors:
12. Bank accepts the deposits and pays interest to the depositor.
13. Banks help people save their money and keep their money in safe custody of the bank.
14. People can withdraw the money as and when they require.
15. Banks also grant loans to people for a variety of purposes. In times of need, individuals, business houses and industries can borrow money from the banks.

Benefit of deposits to the Nation:

1. Banks use the major proportion of the deposit to extend loans.
2. There is a huge demand for loans for various economic activities. In times of need, business houses and industries can borrow money from the banks.
3. Banks mediate between those who have surplus funds and those who are in need of these funds. Thus, it helps in the economic development of the Nation.
4. How do banks play an important role in the economy of India? Explain.
5. Banks help people to save their money and keep their money in safe custody. To ensure safety of their money, people deposit their money with banks. Banks accept deposits and pay interest on deposits. People have the provision to withdraw their money as and when they require.
6. Banks also grant loans to people for a variety of purposes. In times of need individuals, business houses and industries can borrow money from the banks.
7. Credit provided by banks is crucial for the country’s growth and economic development. Credit is needed for all kinds of economic activities, to set up business, buy cars, houses, etc.
8. Banks also help people in obtaining cheap and affordable loans. This can help people to grow crops, do business, set up small-scale industries or trade in goods and also help indirectly in the country’s development. They should do so, so that relatively poor people do not have to depend on informal sources of credit (money-lenders).
9. **Describe the vital and positive role of credit with examples**.
In the festive season, a shoe manufacturer, Ram receives an order from a large trader in town for 3,000 pairs of shoes to be delivered in a month’s time. To complete production on time Ram has to hire workers for stitching and pasting work. He has to purchase the raw materials. To meet these expenses Ram obtains loans from two sources.

First, he asks the leather supplier to supply leather now and promises to pay him later.

Second, he obtains a loan in cash from the large traders as advance payment for 1000 pairs of shoes with a promise to deliver the whole order by the end of the month.

At the end of the month, Salim is able to deliver the order, make a good profit and repay the money he had borrowed.

Salim obtains credit to meet the working capital needs of production. The credit helps him to meet the ongoing expenses of production, complete production on time and thus increase his earnings. Credit therefore plays a vital and positive role in this situation.

1. **How can the formal sector loans be made beneficial for poor farmers and workers? Suggest any five measures**.
Formal sector loans can be made beneficial for poor farmers and workers in the following ways:
2. Create greater awareness among farmers about formal sector loans.
3. Process of providing loans should be made easier. It should be simple, fast and timely.
4. More number of Nationalized Banks/cooperative banks should be opened in rural sectors. Banks and cooperatives should increase facility of providing loans so that dependence on informal sources of credit reduces.
5. The benefits of loans should be extended to poor farmers and small scale industries.
6. While formal sector loans need to expand, it is also necessary that everyone receives these loans. It is important that formal credit is distributed more equally so that the poor can benefit from cheaper loans.
7. **Globalisation will continue in the future. Can you imagine what the world would be like twenty years from now? Give reasons for your answer.**

Twenty years down the line the world would undergo a positive change which will possess the following features— healthy competition, improved production efficiency, increased volume of output, income, and employment, better living standards, greater availability of information and modern technology.
These are the favourable factors for globalisation:
• Availability of human resources both quantity wise and quality wise will increase.
• Broad resource and industrial base of major countries.
• Expansion of entrepreneurship.
• Expansion of domestic market.
• Expanding internal markets
• Economic liberalisations.
• Growing competition