

Research Paper



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ROLE OF BANKING IN RURAL ENTREPRENEURSHIP IN MADHYA PRADESH

[WITH REFERENCE SWARN JAYANTI GRAM SWAROZGAR YOJANA]

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ABSTRACT

Under Swarnjayanti Gram Swarozgar Yojana, the beneficiaries are known as Swarozgaris. The Swarozgaris can be either individuals or groups. Swarozgaris. Can Gram Swarozgar Yojana (SGSY) lays emphasis on the group approach, under which the rural poor are organized into Self-Help Groups. In either case, the list of BPL households identified through BPL census, duly approved by the Gram Sabha will form the basis for identification of families for assistance under SGSY. The self-help groups should also be drawn from the BPL list approved by Gram Sabha. This Research paper is about the Swarozgaris and the linkages with the banks

SGSY will focus on Organisation of the poor at grassroots level through a process of mobilisation for poverty eradication. SGSY's approach to organise the poor stems from the conviction that there is tremendous potential within the poor to help themselves and that the potential can be harnessed by organising them. Social mobilisation enables the poor build their own organisations (Self-Help Groups (SHGs)) in which they participate fully and directly and take decisions on all issues concerning poverty eradication. Simultaneously, SHGs have the advantage of the assistance- be it terms off credit or technology or market guidance etc.-reaching the poor faster and more effectively.

Social mobilisation is not a spontaneous process; it has be induced. DRDAs are expected initiate and sustain the process of mobilisation for poverty eradication by formation, development and strengthening of the SHGS. Issues that are key to poverty eradication should become entry point for DRDAs to organise the poor into SHGS. There could be different entry points for different SHGS depending on the local situ-

ation. The groups that are formed with thrift and credit as an entry point have demonstrated that the poor can secure greater access to credit and other support services for enhancing their income levels.

Objectives:-To study financial progress credit and Subsidy disbursed, To Investment And per swarozgari Investment under SGSY during year 2004-05 in Madhya Pradesh.

FINANCING THE INVESTMENTS-BANK CREDIT AND SUBSIDY

Financial assistance to Swarozgaris under SGSY comprises of two components viz. loan and subsidy. SGSY is a credit-linked scheme and credit is the key element. Subsidy is only a minor and enabling component. The major part of investment consists of bank credit from financial institutions comprising commercial banks, cooperative banks and regional rural banks. This Research deals with the various aspects of the flow of credit and subsidy to the Swarozgaris.

Multiple Credit and Multiple doses of Credit

SGSY will seek to develop close linkages with

Financial Progress-Credit And Subsidy Disbursed, Total Investment And Per Swarozari Investment under SGSY during year 2004-2005

State Name: MADHYA PRADESH

S.NO.	District	Till Month	Total Cradit Target	Credit Disbursed by				Total	% Credit	
				Commercial Bank	Cooperative Bank	Regional Rural	Others Disbursed Bank			
1.	BALAGHAT	03	—	384.2	6.26	164.53	4.8	559.82	366.8545	
2.	BARWANI	03	—	39.52		11.75	22.53	3.15	65.95	43.2176
3.	BETUL	03	—	648.72		0	0	0	648.72	425.114
4.	BHIND	03	—	128.02		0	39.5	0.53	168.5	110.1245
5.	BHOPAL	03	—	104.58		14.63	17.82	0	137.03	89.7969
6.	CHHATARRUR	03	—	206.45		27.5	84.5	0	318.45	208.6828
7.	CHHINDWARA	03	—	287.52		0	115.08	0	402.6	263.827
8.	DAMOH	03	—	316.66		44.15	28.71	0	389.52	255.2556
9.	DATIA	03	—	53.2		0	15.3	0	68.5	44.8886
10.	DEWAS	03	—	155.51		0	87.4	0	242.91	159.1809
11.	DHAR	03	—	426.68		49.06	164.7	0	639.81	419.2726
12.	DINDORI	03	—	71		1.07	28.24	0	100.94	66.1468
13.	EAST NIMAR	03	—	301.75		78.68	83.35	0	463.73	303.9187
14.	GUNA	03	—	200.55		0	42.42	5.1	248.07	162.5623
15.	GWALIOR	03	—	242.53		0	71.75	0	314.28	205.9502
16.	HARDA	03	—	62.02		0	17.08	0.63	79.73	52.1477
17.	HOSHANGABAD	03	—	153.51		62.73	59.32	0	275.56	180.5767
18.	INDORE	03	—	95.94		0	1.38	3.63	101	66.1861
19.	JABALPUR	03	—	234.68		0.32	1.55	1.73	238.28	156.1468
20.	JHABUA	03	—	305.35		186.82	97.19	0	589.36	386.2123
21.	KATNI	03	—	414.35		0.99	35.15	0	450.49	295.2097
22.	KHARGONE	03	—	121.81		41.02	52.12	3.08	218.21	142.9948
23.	MANDLA	03	—	136.74		8	83.12	0	227.86	149.3185
24.	MANDSAUR	03	—	107.61		31.41	29	18.39	186.41	122.156
25.	MORENA	03	—	114.99		9.84	9.43	2.44	136.7	89.5806
26.	NARSINGHPUR	03	—	127.03		0	14.48	0	141.78	92.9096
27.	NIMACH	03	—	57.78		11.44	12.17	8.04	89.43	58.6042
28.	PANNA	03	—	94.25		5.5	36.29	0	136.04	89.1481
29.	RAISEN	03	—	190.01		10.09	82.16	7.51	290.67	190.4784
30.	RAJGARH	03	—	128.97		0	40.19	26.87	196.03	128.46
31.	RATLAM	03	—	159.43		22.09	25.77	0	207.29	135.8388
32.	REWA	03	—	181.61		0	108.34	0	289.95	190.0066
33.	SAGAR	03	—	181.26		0	34.49	108.93	324.68	212.7654
34.	SATNA	03	—	129.21		2.36	228.84	6.3	366.71	240.308
35.	SEHORE	03	—	370.94		0	16.4	0	387.34	253.827
36.	SEONI	03	—	287.05		0	133.92	0	421.42	276.1599
37.	SHAHNOL	03	—	354.57		37.01	151.07	0	542.65	355.6029
38.	SHAJAPUR	03	—	181.12		24.72	49.69	22.6	258.13	169.1547
39.	SHEOPUR	03	—	78.94		9.29	27	0	115.23	75.5111
40.	SHIVPURI	03	—	127.87		0	65.4	8.55	201.82	132.2543
41.	SIDHI	03	—	65		6.65	53.47	2	127.12	83.3028
42.	TIKAMGARH	03	—	71.86		0	74.14	0	146	95.675
43.	UJJAIN	03	—	134.05		0	47.43	0	181.93	119.2202
44.	UMARIA	03	—	70.307		20.52	44.81	8.02	143.657	94.1396
45.	VIDISHA	03	—	0		0	0	0	0	0
Total				8306.437		725.52	2585.6	222.35	11839.907	0

credit mechanism in such a manner as would promote multiple credit rather than a one time credit injection. Multiple doses of credit would mean assisting a Swarozgari over a period of time with a secone and subsequent dose (s) enabling him/her to access higher amount of credit. The Swarozgari should have the confidence that so long as he/she proves her credit worthiness by way of proper utilization of the asset and prompt repayment, the bank will stand by him/her and will provide additional credit, whether or not this is backed by subsidy.

Subsidy

Subsidy under SGSY will be uniform at 30% of the project cost, subject to a maximum of Rs.7500/-. In respect of SC/STs, however, these will be 50% and Rs.10000/- respectively. For groups of Swarozgaris (SHGs), the subsidy would be at 50% of the project cost subject to per capital subsidy of Rs.10,000/- or Rs.1.25 lakh, whichever is less. There will be no monetary limit on subsidy for irrigation projects. Subsidy will be back-ended. Banks would disburse the full project cost including subsidy to the Swarozgaris as loan. The benefits of subsidy will also be available to Swarozgaris who prefer to avail themselves of required working capital in the form of cash credit. The operation of subsidy amount by the bank will be as follows:

i) The subsidy admissible to the Swarozgaris under SGSY should be kept in the Subsidy Reserve Fund Account Swarozgari-wise instead of in term deposit in the name of the Swarozgari. Banks should apply no interest on the Subsidy Reserve Fund Account. In view of this, for the purpose of charging interest on the loan, the subsidy amount should be excluded. The availability of the benefit of subsidy to Swarozgaris would be contingent on their proper utilization of loan as also its prompt repayment and maintaining the asset in good condition.

DATA BASE AND METHODOLOGY:- The study is Restricted to madhya Pradesh state with 45 districts of the commercial banks, cooperative banks, Regional rural banks and other for the Period of 2004-05. Researcher adopted and collects all necessary data. The study is completely based on actual field work. Data Used for this study has been collected from secondary sources. Secondary sources data of bank lists of Madhya Pradesh state collected from commercial, cooperative, Regional Rural and other banks.

Results-1. The banks can build up the image of a people oriented organisation' by promoting SHGs and doing banking business with them. 2. Through the SHG strategy banks are able to mop up small savings which is virtually non existent otherwise. Through the SHGs they are able to inculcate savings habit among the very poor people. 3. The loan utilization is between 90 and 95% in SHGs compared to 30 to 40% in non group cases. Loan repayment is 100% something unheard of in banking with poor in any other strategy. 4. Bank can dispense with recourse financing (security oriented approach) 5. Banks are able to reach the unreached. A large number of poor people could be reached through SHG with less cost and effort. SHG approach has helped the banks in rehabilitation of some of the hard core defaulters to the banks.

Conclusion

The success of business with SHGs depends on the way it is done. There is a very favourable environment for this business today and bankers are aware of it. Even the co-operative banks are eager to do business with SHGs. There are a number of operational guidelines for bankers for financing SHGs. But guidelines alone will not make the strategy effective. It is the human element of faith which is the key to success in SHG bank linkage.

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