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BANK AND SUPPORTING AGENCIES: Schemes for Women Entrepreneurs



ABSTRACT: -

Building up the system of training and skills in unorganized sector will require a great deal of financing. We believe that this is an important investment in the future economy. "It is necessary to avoid the growing inequality and social discontent that is coming about due to changes through liberalization¹".

KEYWORDS: *Telework, Telecommuting, teleworker.*

INTRODUCTION :

On July 19, 1969 the Indian Government nationalized 14 large banks in the country with an aim to extend social bank to reach the rural areas of the country and the unorganized sector of the urban poor. Bank credit thereafter was to be channeled to various sectors of the economy through innovative credit schemes, i.e. loans of concessional interest rate and lenient pay-back terms in accordance with the Governments National Plan priority.

The role of banks in the economic development of a country assumes significance due to the fact that they provide one of the essential inputs, namely, finance for the growth of various segments of the economy. In a developing country like ours, where the scarcity of financial resources is admittedly one of

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the constraints for accelerating the pace of economic growth, an efficient and responsive banking system is of utmost importance. Ever since the nationalization of major scheduled commercial banks, banking policy has been continuously re-oriented encompassing the socio-economic objective laid out in the successive Five Year Plans. Credit Policy was also geared to encourage the flow of credit to priority sectors such as agricultural, small scale units, small size and medium size enterprises.

As an incentive, the Government of India through RBI rediscounts loans made by the banks in the following way. The Government of India subsidizes 25% of the total assistance. The subsidy is kept as term deposit with financing bank office to be adjusted against the loan after 75% of the assistance given is repaid by the borrower. The bank has to reclaim the subsidy from RBI within 30 days from the date of disbursement of the loan.

From 1969 to 2000 the banks and the government experimented with a variety of delivery programmes to effectively transfer capital to the weaker section. Yet it has been found that women in the weaker sections are outside the purview of these mechanisms. (Synergy Sept 1987: 12 April 2000)

ROLE OF BANKS IN ECONOMIC DEVELOPMENT:

Distinguished economists in the past and present have very well deliberated the role of the banks. A journey through the history of economics shows that while this role of banks has been described in various ways, over different periods, the following roles stand out.²

- 1) Banks as financial intermediaries.
- 2) The direct co-relation between economic growth

on the one hand and financial growth driven by the dynamism of the financial sector in general and banks in particular on the other.

3) The important role of banks in creation of money which creates the demand for goods and services.

4) The role of banks as a financial catalyst of social development.

5) The role played by banks in facilitating / promotion of entrepreneurship – an essential condition of economic development.

The researcher would like to stress the role played by four Nationalized Banks namely State Bank of India, Central Bank of India which is lead bank of Ahmednagar District, Bank of Maharashtra, Union Bank of India and United Western Bank which is scheduled bank.

Loans offered by Public Sector Banks to Women:

Central Bank of India:

Name of the Loan: Cent Kalyani

This is a scheme launched to benefit the women entrepreneurs and to the requirements of women professionals.

State Bank of India:

Name of the Loan: StreeSakthi Package

This is a special offer of loans to women entrepreneurs. It gives concessions in promoter's margin and rate of interest. The aim of the scheme is to inspire women to start new ventures. No security is needed for loans up to 5 lakhs for industrial units.

Union Bank of India:

Name of the Loan: Viklang Mahila VikasYojana

This is a special scheme for handicapped women for starting their own vocations. Physically handicapped women are identified and after providing vocational training according to their aptitude financial assistance of 25,000 is offered to start the new vocation.

Dena Bank:

This bank has special schemes to finance women entrepreneurs. Walk into the bank for assistance. Some incentives offered are 5% concession in the interest rate. No processing fee, easy payment options and no penalty for repayment. The loan amount is up to 5 lakhs women entrepreneurs who are professionals. The loan is also extended to artists, small and medium cottage industries run by women.

Bank of India:

Name of the Loan: Priyadarshini

This is a facility offered to women to set up small, village and cottage industries. The loan covers the payment for machinery. There is a one percent cut in the interest rate for loans above 2 lakhs.

UCO Bank:

Name of the Loan: NariSakthi

This scheme is to provide financial assistance to salaried women. Concession is offered on interest and the repayment is in 5 years in equated installments. This is a modified version of UCO Cash Scheme.

Canara Bank:

Name of the Loan: Can Mahila

This is a loan to meet the financial need of women. It can be used to buy house hold articles, gold, jewelers, computers etc. Women between the age 18 to 55 can avail this loan. They can be house wife. Working

or self-employed. The present rate of interest is 11.5 percent. For salaried and self-employed the loan limit is 50,000 and for non-workers with an annual family income it is 25,000 and 50,000 for women with a family income of 1.5 lakhs.

Orient Bank of Commerce:

Name of the Loan: Orient Mahila VikasYojana

In this special scheme for the benefit of women entrepreneurs, the loan amount is offered between 2 and 10 lakhs with a 2 percent concession in interest. Loans above 10 lakhs are also offered at 1 percent concession. Enterprises consisting of all units managed by women and have a share of 51 percent are eligible for this loan. In case of term loans, the repayment period is up to seven years with a maximum grace period of 12 months depending on the nature of the activity.

ICICI Bank:

Name of the Loan: Women's Account

This is a scheme formulated by the new generation bank for women. Under the scheme any women, with any relative having an account in the bank can open an account without any document.

Vijaya Bank:

Name of the Bank: V. Mangala

This is a term loan for working women. It helps to purchase consumer items jewelers, two wheelers and cars. The amount of the loan is 3 lakhs (maximum) or 15 months of the gross salary. The attraction is that the interest rate is one percent less to the usual lending rate. The incentives offered are free credit card facility (no charge for subscription) and an accident death insurance which cover the loan amount.

Bank Finance:

Introduction

Financing schemes of banks and its capital assets would not bring economic progress. Commercial banks have started several schemes and programmes for entrepreneurship development. The important role played by the selected banks and their schemes for women entrepreneurs is stated below.

1)Central Bank of India:

The Central Bank of India was formed on 21st Dec. 1911. On first day of its operations, a large number of merchants visited the bank officers and over 70 current accounts totaling a lakh and half rupees had been opened within a week.³

Sir Sorabj N. Pochkhanawala established Central Bank of India. Sir PheroishahaMehata was the first Chairman of Central Bank of India.

Central Bank of India is the first Bank to introduce a special Ladies Department in 1924 in its Bombay office to cater to its lady customers, It has launched its own Credit Card – 'Central card'. In Sept. 2004 Central Bank of India has a customer base of 25 million. It's branch network includes 3142 branches and 272 extension counter in India. 70% of its branches are located in rural and Semi-urban centers. Central Bank had already begun the process of branding its schemes with pre-fix of 'Cent'. For women Central bank of India started a special scheme named 'Cent Kalyani'. The four squares in the symbol of Bank represent the four local points namely, Man, Finance, Industry and Nation. Central Bank of India is a 'Lead Bank' of Ahmednagar District. It has 61 branches in Ahmednagar District. According to Credit Plan 2004-2005 S. S. I. will get advances of 38 cores and other priority sector will get 90 cores which 64% more than that of 2003 – 2004.⁴ For women's provisional plan is 7% of total plan which includes 408 number of accounts and 4.12 credit out lay.

For entrepreneurs and businessmen Central Bank introduced two methods namely

(1) Turnover method (2) Maximum Permissible bank finance method.

(1) Turnover method – (working Capital Requirements)

Under this method the bank finances maximum of 20% of the projected sales of the borrower and the borrower has to contribute 5% as his margin. For small scale industries this method is applicable for borrowers up to Rs. Five crores.

(2) Maximum Permissible bank finance method.

Under this method the borrower's requirements are assessed based on the Past practice/holding levels while the projections should be reasonably conform to the past trends. This method is called Tondon Committee method of lending. For SSI sector borrowers, it is applicable up to requirement of Rs. 5 crores and above but less than Rs. 50 crores.

The special scheme for women entrepreneurs launched by bank is Cent Kalyani. This scheme is launched to benefit the women entrepreneurs and to requirements of women professionals.

2) Bank of Maharashtra:

Bank of Maharashtra has been constituted as a corresponding new bank under Banking Companies (Acquisition and Transfer of Undertakings) Act 1970.

In Ahmednagar district Maharashtra Bank has 35 branches.⁵ Out of 5 branches are urban, 10 are semi urban and 20 are rural branches.

The bank has implemented a number of innovative schemes in addition to the various programmes sponsored by Government / RBI / BGOs etc. 'LaghuUdnyami Credit Card Scheme, Mahabank Swarojgar Credit Card Scheme (MSCC)', Maha-Entrepreneur etc.

- **Maha – Entrepreneur** : Under this scheme, Bank provides finance up to Rs. 25 lakhs to small scale industries without collateral security and / or third party guarantee.

The total credit extended to women beneficiaries amounted to Rs. 575.38 Crore covering 1,25,087 women borrowers under Women Empowerment Scheme. (Bank of Maharashtra, Annual Report 2003-2004)

- **Mahabank Shakti⁶** : Loan for women encouraging and empowering women entrepreneurs.

This scheme is specially introduced to offer financial assistance to women entrepreneurs for economic pursuits in industry. Agricultural and Allied Activities, Business or Profession. The Bank with a network of 1292 branches spread throughout the country has come up with this scheme which enables women entrepreneurs an opportunity to avail financial assistance for pursuing vocation of their choice. Credit facilities are available, for women, which cater to almost all their needs at lower interest rates compared to others.

3) State Bank of India:

The State Bank of India was born with a new sense of social purpose aided by the 480 offices comprising branches, sub offices and three local head offices inherited from the Imperial Bank. The concept of banking as mere repositories of the community's savings and lenders to creditworthy parties was soon to give way to the concept of purposeful banking. The State Bank of India was destined to act as the pacesetter in this respect and lead the Indian banking system into the exciting field of national development.

In Ahmednagar district State Bank of India has 31 branches which includes 4 urban branches 06 semi-urban branches and 21 branches are working in rural area.

As per banks model, the Entrepreneurial Development Programmes consist of one-month intensive training in behavioral sciences, management aspects and field training and during this period the entire cost of boarding and lodging is borne by the bank. The bank recognized the importance of small scale industries in Industrial development and started financing Small Scale Industries (SSIs) on large scale. A package of schemes and programmes was formulated by the bank to cater to the specific needs of the small scale industries.

NAME OF THE LOAN – STREESAKTHI PACKAGE

This is a special offer of loans to women entrepreneurs. It gives concessions in promoter's margin and

rate of interest. The scheme is to inspire women to start new ventures. No security is needed for loans up to 5 lakhs for industrial units.

State Bank of India offers three principal schemes of financial assistance to small-scale industries. Salient features of these schemes are detailed here.⁷

a) Liberalized Scheme – In 1959, State Bank of India launched its Liberalized scheme of Assistance to Small Scale Industries in all its branches. The scheme derived its name from ‘liberalizations’ which were introduced over the then existing security-based approach.

b) Entrepreneurs Scheme - State Bank of India Entrepreneurs scheme was introduced in 1967 for technically qualified Entrepreneurs, without insisting on any equity from them. The scheme is specially designed to tap the considerable potential available in the country. The scheme provides for financial assistance ranging from 87.5 to 100 percent to meet project cost, pre-operative expenses and also the Entrepreneurs sustenance needs during the startup period. Normally, a ceiling of Rs. 10 lakhs is operative but in deserving cases this ceiling is relaxable.

c) Equity Fund Scheme – Based on its experience of dealing with the small industries over a period of 30 years, the bank observed that one of the primary reasons for sickness/slow growth in Small Scale units were the lack of adequate equity in them. With this in view, State Bank of India introduced its Equity Fund Scheme towards the end of 1978. The objective of the scheme is to assist new Small Scale Industries (SSI) were in need of Equity support through interest free loan repayable on long term basis.

4) Union Bank of India:

This bank is inaugurated by Mahatma Gandhi. It has traversed the long road of successful banking of 85 years. As Mahatma Gandhi quoted, “we should have ability to carry on big bank to manage efficiently crores of rupees in the course of our national activities.” Union bank has not many branches, but they are enough capable to manage and handle all the activities.

It is committed to maintain its identity as leading innovative commercial bank alive to the changing needs of the society. Today Union Bank is providing different value added services to society. It is true that man power is key factor for the success of any organization. Union bank has 26000 qualified and skilled employees. It is one of the pioneer public sector Banks, which launched core-banking solution in the year 2002. The bank has launched multiple electronic delivery channels and has installed nearly 469 networked ATM center. On line telebanking facility is also available to all its core Banking customers.

Union Bank of India offered a special scheme of loan named “Viklang Mahila Vikas Yojana.” This is a special scheme for handicapped women for starting their own vocations. Physically handicapped women are identified and after providing vocational training according to their aptitude financial assistance of Rs. 25000 is offered to start the new vocation.

The bank is a public sector unit with 55.43% share capital held by the Government and Follow on public offer in February 2006. It is one of the pioneer public sector banks, which launched core banking solution in 2002. As of September 2005, more than 719 branches / extension counters of bank are neutral under core banking solution.

Role of Other Institutions in Entrepreneurship Development:

The institutional cultural of our country is vast and consists of institutions providing entrepreneurial awareness, organizing entrepreneurship development programmes and motivation programmes providing financial support, dealing with marketing problems, providing consultancy research in the area and so on and so forth. An attempt is made to discuss the role of few important institutions in entrepreneurship development, to narrate the activities, schemes, programmes undertaken by these institutions to improve entrepreneurs in the country.

a) Entrepreneurship Development Institute of India (EDI)⁷ :

EDI is not a profit organization and an autonomous body set up in 1983, sponsored by the apex financial institutions, the IDBI, IFCI, ICICI and SBI. The Government of Gujarat pledged 23 acres of land on which stands the majestic campus. EDI is a national resource institution committed to Entrepreneurship Education, training and

research, striving to provide innovative training techniques, competent faculty support teaching and training material, besides sharing benefits of in-house research as well as experience in relevant sphere. EDI has linkages with a nationwide network of organizations and institutions commuted to entrepreneurship development. EDI has a separate Centre for Research and Entrepreneurship Education and Development (CREED) with the responsibility of serving as a bridge between academics and training consultancy in the field of entrepreneurship.

The institute has effectively supported entrepreneurship development activities throughout the globe at the behest of international developmental agencies such as UNIDO, ILO, SARC, World Bank, Commonwealth Secretariat and governments of developing countries.

b) National Institute for Entrepreneurship and Small Business Development (NIESBUD):

NIESBUD was established as an apex body to co-ordinate the activities of various institutes and agencies engaged in Entrepreneurship development to organize and conduct training programmes for them. The institute is registered as a society under Government of India Societies Act, XXI of 1860 and started functioning from 6th July, 1983. NIESBUD plays a supportive role in developing the efficiency of organizations which are directly or indirectly engaged in promoting entrepreneurship. The main objectives of the institute are to accelerate the process of entrepreneurship development and to support and help institutes / agencies involved in entrepreneurship development to improve their efficiency.

c) Small Industries Development Bank of India (SIDBI):

SIDBI was established in April 1990 under an act of the Indian Parliament as wholly owned subsidiary of Industrial Development Bank of India (IDBI). The main objectives of SIDBI are to serve as the principal financial institution for promotion, financing and development of industry in the small sector and coordinating the functions of other institutions engaged in similar activities. SIDBI⁸ was ranked 21st in terms of assets, 34th in terms of capital among the 50 development banks of the world by 'The Banker', London in its May 1997 issue.

The programmes for enterprise promotion include micro credit schemes, rural industries programmes, Mahila Vikas Nidhi and entrepreneur development programmes. Programmes for HRD of SSIs are Small Industries Management Assistant Programme (SIMP) and Skill-cum Technology Upgradation Programmes (STUP). To promote new units by identification and publicity of viable project ideas and business opportunities through publication of project profiles, broadcasting, udyog sadhana-radio programmes and production of video films on various entrepreneurship themes and telecasting them through electronic media.

d) State Financial Corporations (SFCs)

State Financial Corporations have been set in various states with the main objective of extending assistance to industrial units in tiny, small scale and medium scale sectors and service enterprises. These corporations have been playing a significant role in taking the states to their rightful place on the industrial map of the country. Industrial concerns under any form of ownership, whether it be a proprietary or partnership concern joint Hindu family, registered co-operative society, private or public limited are eligible for financial assistance.

CONCLUSION:

It attempts the role of banks and supporting agencies in the economic development. In developing economics like India, where establish entrepreneurs are few in number the banks have to play a very important role in development of entrepreneurship. Financing schemes of banks and its capital assets alone would not bring about the much needed economic progress, promotional and developmental functions are equally important to banking institutions as the financing role. Over the period, commercial banks like CDI, BOM, SBI, UWB and UBI has evolved several comprehensive programmes for entrepreneurship development with a purpose to motivate. First generation entrepreneurs to set up risk bearing ventures especially in industrially backward areas of the country.

Government of India through RBI rediscounts loans subsidizes 25% of total assistance to women entrepreneurs CBI introduced special ladies department. For women entrepreneurs CBI started a special scheme 'Cent Kalyani'. BOM introduced various programmes like 'LaghuUdyami', 'Maha entrepreneurs'. It also introduced a loan scheme for women entrepreneurs namely 'Mahabank Shakti'. SBI is financing loans of SHGs through which tiny women entrepreneur get finance.

Other financial institutions like EDI, NIESBUD, DIC, SIDBI, SFC etc. are also helping women entrepreneurs in the deployment of credit. Banks are providing term loans against hypothecation. Role of NABARD is also vital in financing women entrepreneurs. The exclusive women oriented schemes introduced by NABARD are

- a) Assistance to Rural Women in Non-Farm Development.
- b) Women Development Cell
- c) Linking Self-Help Groups (SHGs) with banks

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