

CLASS – 11

ECONOMICS

Indian Economy Development

CH-5 : Rural Development

Part – 3

Rural Banking and Rural Credit
System

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OVERVIEW



1. Introduction to Rural Development

2. Rural Credit

3. Rural Banking and rural credit system

4. Rural Marketing

5. Cooperative marketing, Buffer stock and PDS

6. Defects of Agriculture Marketing

7. Alternatives of Agriculture marketing

8. Agriculture Diversification

9. Rural Schemes

10. Organic Farming

11. Sustainable Development

RURAL BANKING AND RURAL CREDIT SYSTEM

- Rapid expansion of the banking system had a positive effect on rural farm and non-farm output, income and Employment.

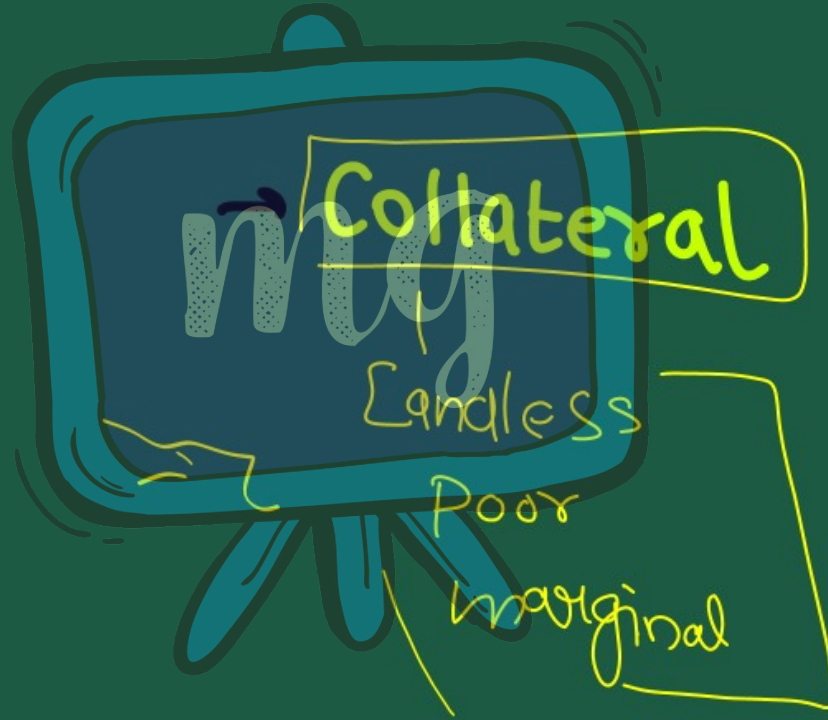


- After the green revolution – it helped farmers to avail services and credit facilities and a variety of loans for meeting their production needs.
- Famines became events of the past;
- We have now achieved food security which is reflected in the abundant buffer stocks of grains.

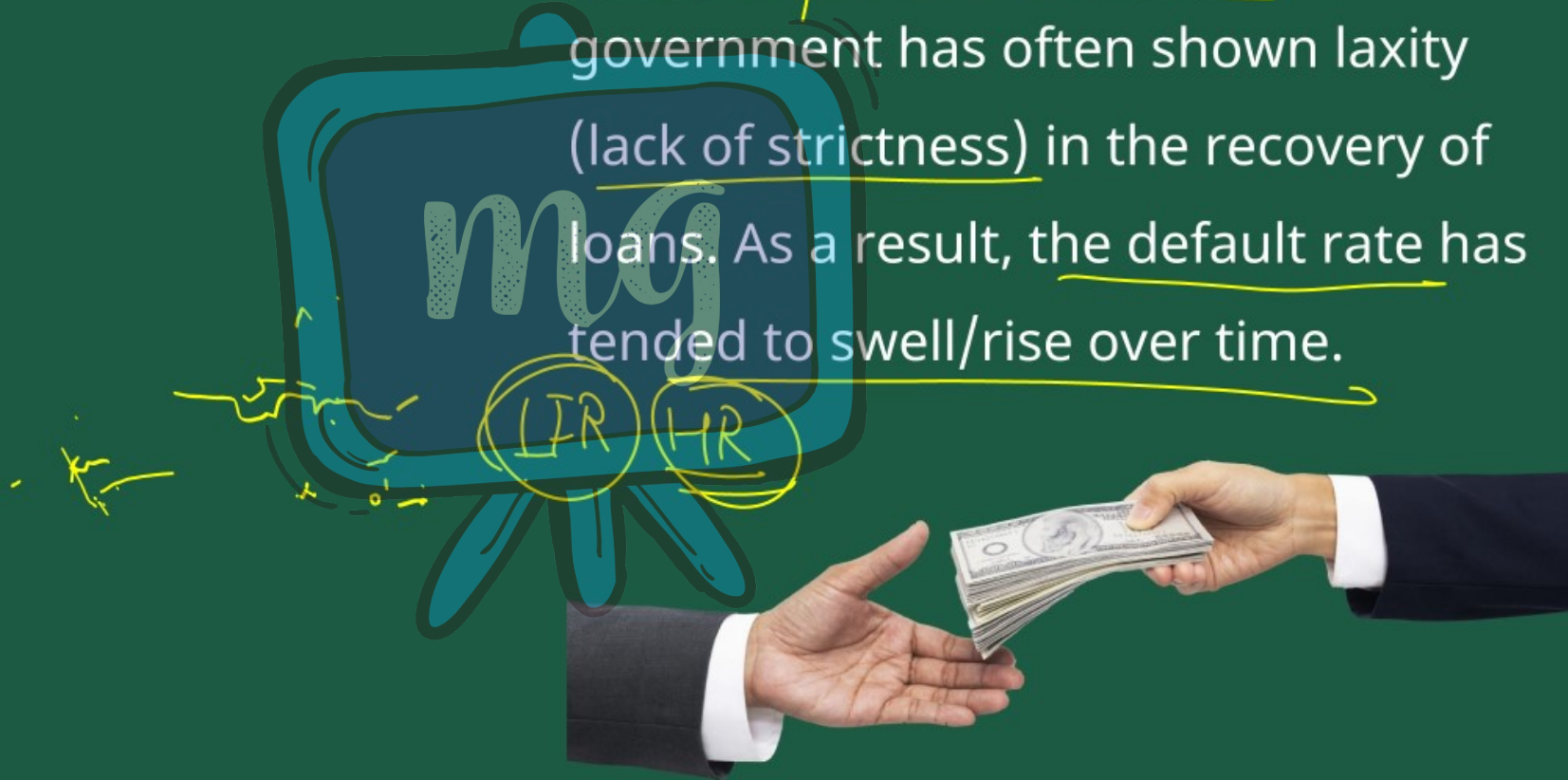
RURAL BANKING – A CRITICAL EVALUATION

Banking Credit or Institutional credit has invariably been tied to collateral because of which large sections of small and marginal holders are often left out.



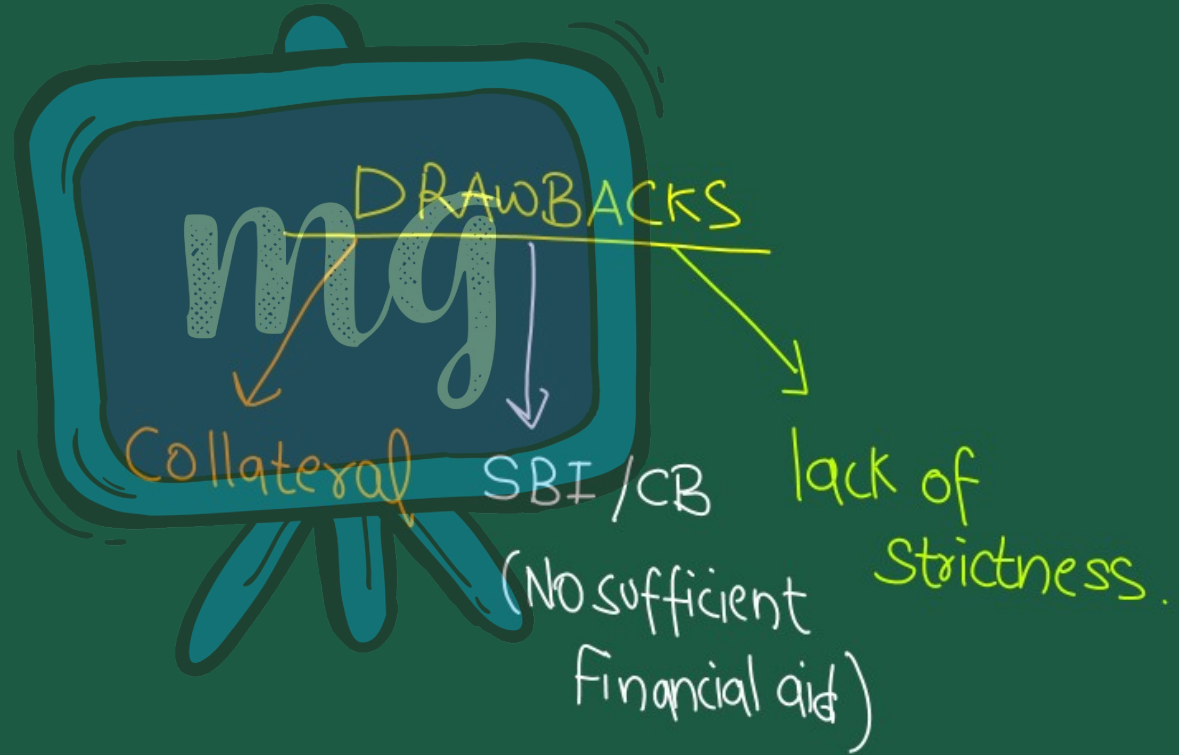


- Owing to political populism, the government has often shown laxity (lack of strictness) in the recovery of loans. As a result, the default rate has tended to swell/rise over time.





- Apart from commercial banks, most financial institutions have failed to develop a culture of thrift (saving for the future) among farming families. Mobilisation of deposits remained rather subdued.)



BENEFITS OF RURAL CREDIT SYSTEM

The establishment of NABARD (as an apex body coordinating activities of all financial institutions engaged in rural credit programmes) has made a substantial difference in the institution of rural credit. Rural financing has become much more organised than ever before.



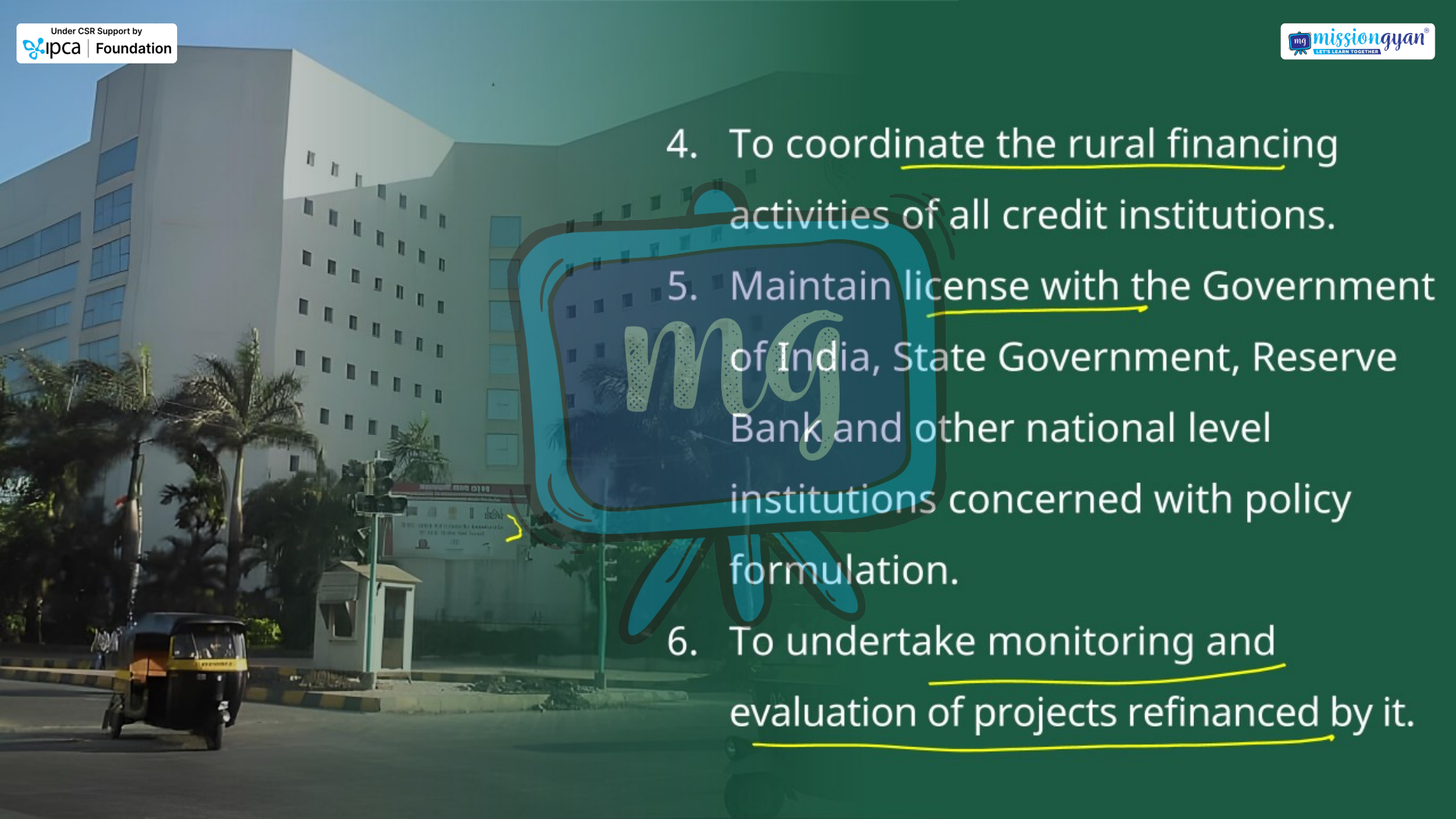
NABARD

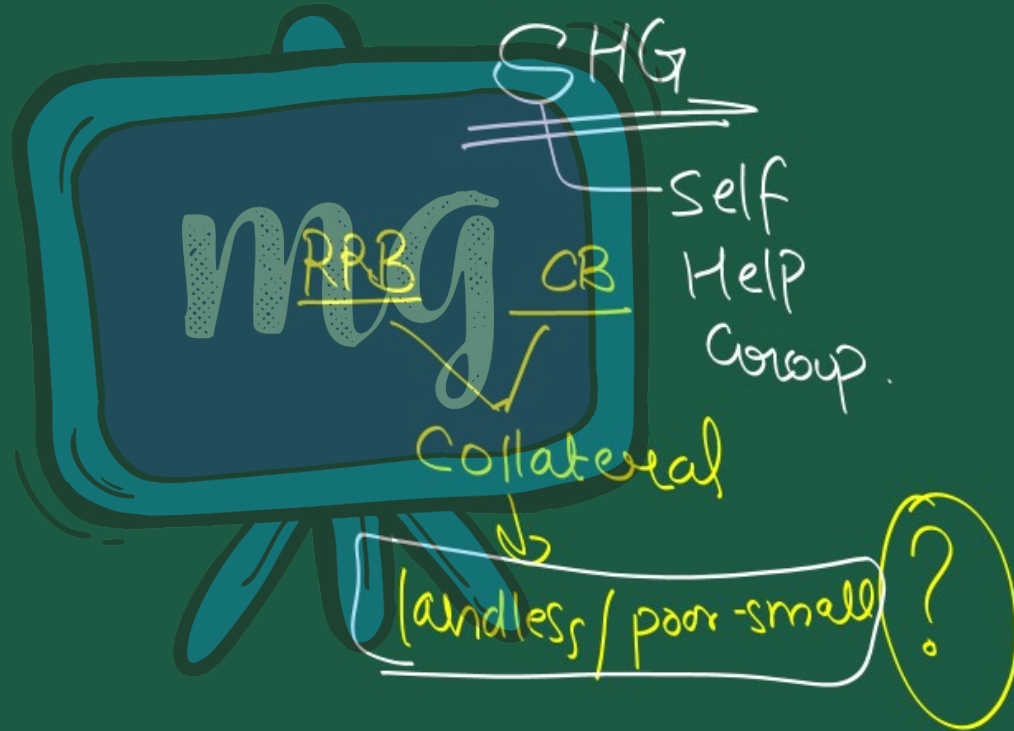
- The institutional structure of rural banking today consists of a set of multi-agency institutions, namely, commercial banks, regional rural banks (RRBs), cooperatives and land development bank.

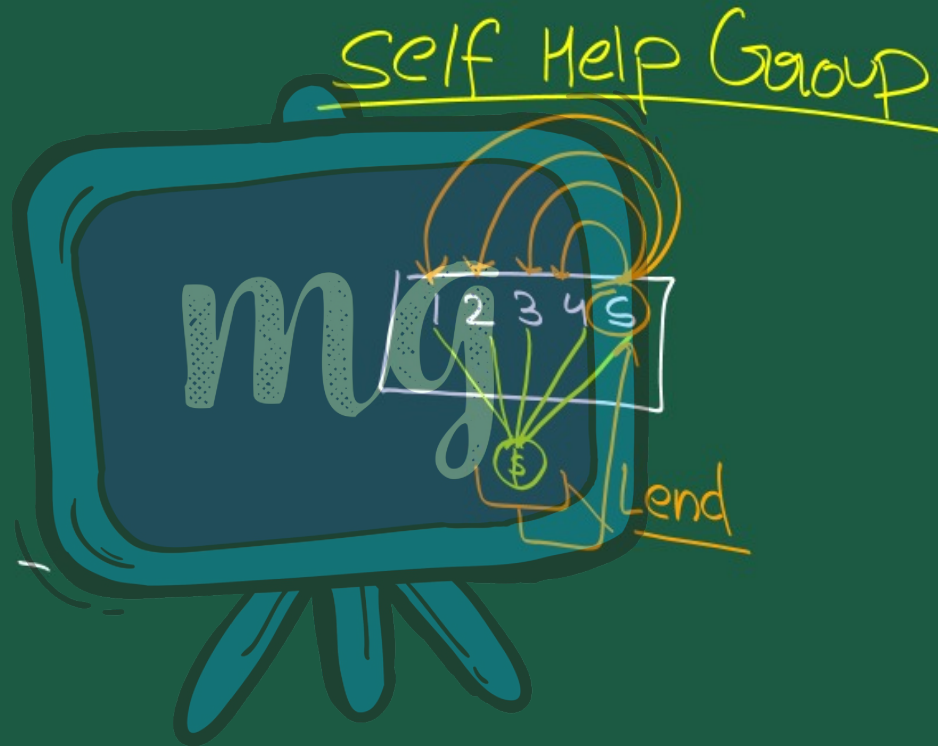
FUNCTIONS OF NABARD

1. To serve as an apex funding agency for the institutions providing credit in rural areas.
2. To take appropriate measures to improve the credit delivery system.
3. Restructuring of credit institutions and training of personal.



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4. To coordinate the rural financing activities of all credit institutions.
 5. Maintain license with the Government of India, State Government, Reserve Bank and other national level institutions concerned with policy formulation.
 6. To undertake monitoring and evaluation of projects refinanced by it.





- It is not denying the fact that institutional credit has gone a long way in liberating the farmers from the debt trap of Mahajans and moneylenders.


- Also, it is no denying the fact that institutional credit has promoted the commercialisation of agriculture.

An illustration of a group of men in a rural setting. One man in a grey shirt is sitting cross-legged on a raised platform, gesturing with his right hand as if speaking. Several other men are sitting around him, listening. In the background, there is a large tree, a small hut with a thatched roof, and a dirt path. The scene is set in a lush green environment.

Self-Help Groups (henceforth SHGs)

have emerged to fill the gap in the formal credit system.

Because the formal credit delivery mechanism has not only proven inadequate but has also not been fully integrated into the overall rural social and community development.

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- Since some kind of collateral is required, vast proportion of poor rural households were automatically out of the credit network.
 - The SHGs promote thrift in small proportions by a minimum contribution from each member.



- From the pooled money, credit is given to the needy members to be repayable in small instalments at reasonable interest rates.
- Credit provisions are generally referred to as **micro-credit programmes**.
- SHGs have helped in the empowerment of women.



1

What is the function of NABARD?

- ☒ A Acts as apex body for Rural Financial System
- ☒ B Co-ordinating RRBs and cooperatives for rural credit
- ☐ C Restructuring of credit institutions
- ☒ D All of the above

2

What is the challenge in Rural Banking System?

- ☒ A Collateral
- ☒ B Political Populism
- ☒ C Adoption of Green Revolution
- ☒ D Both A and B

3

What is the primary function of Self Help Groups (SHGs)?

- ☒ A Provide rural credit
- ☒ B Provide student education credit
- ☒ C To fill the gap in the formal credit system
- ☒ D None of the above

collateral