

CLASS – 11

ECONOMICS

Indian Economy Development

CH-5 : Rural Development

Part – 2

Rural Credit

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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

agriculture

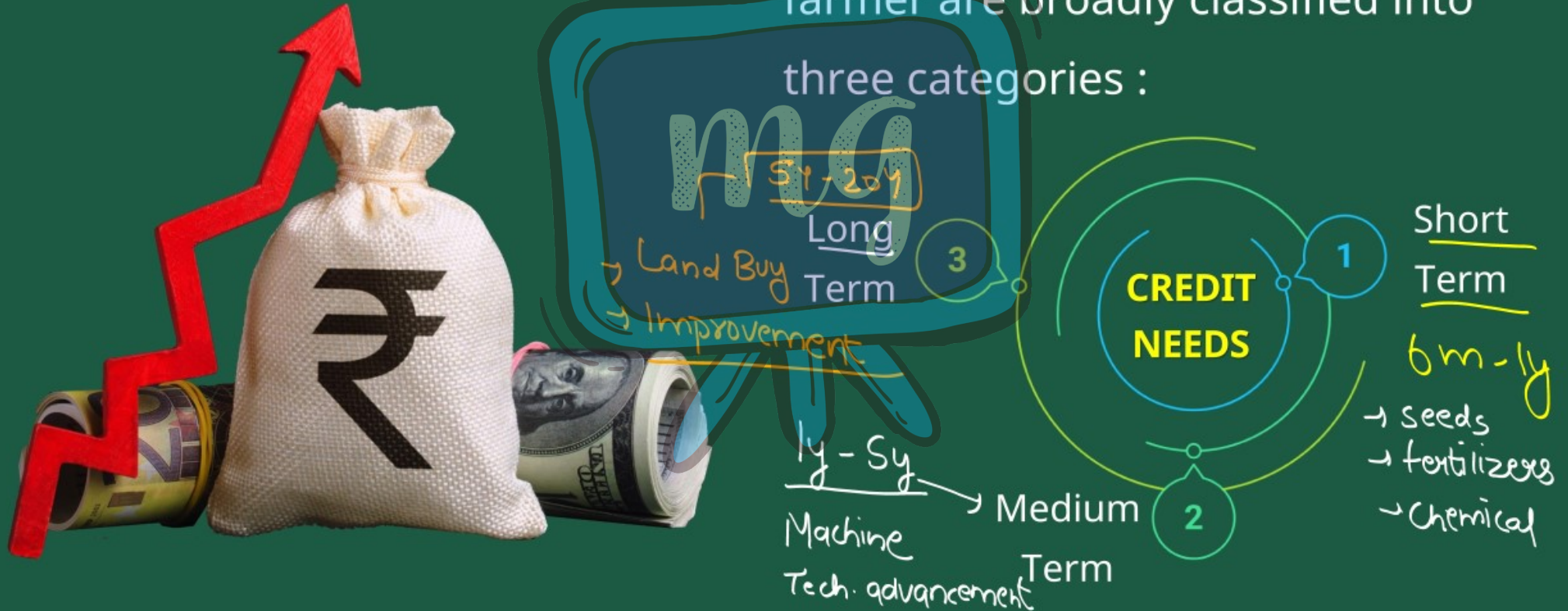
RURAL CREDIT

- Growth of rural economy depends primarily on infusion of capital, from time to time, to realize higher productivity in agriculture and non-agriculture sectors.
- As the time of gestation period between crop sowing and realization of income after production is quite long.




- ▮ Farmers borrow from various sources to meet their initial investment on seeds, fertilizers, implements.
- ▮ Other family expenses of marriage, death, religious ceremonies etc.
- ▮ Hence, villagers and farmers need rural credit.

- ▮ The credit needs of the typical Indian farmer are broadly classified into three categories :



Short-term Credit	Middle-term Credit	Long-term Credit
Required for the purchase of inputs like seeds, fertilisers, pesticides, and insecticides, besides making payments for electricity bills.	Required for : a) The purchase of machinery b) Construction of fences and c) Digging the wells.	Required for : a) The purchase of additional land or b) For carrying out permanent Improvements on the existing land.
6 to 12 months.	12 months to 5 years.	5 to 20 years.



✧ The credit requirement of the farmers may also be classified as productive and unproductive.

✧ The productive requirement of credit relates to production activity.

✧ The unproductive requirement of credit relates to consumption activity.

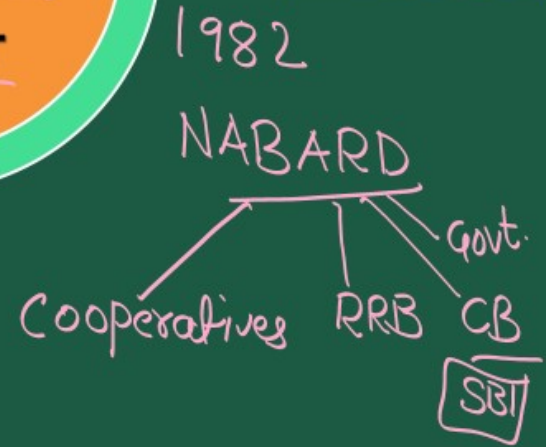


Non-
Institutional
Sources

- Money lenders
- Village traders
- Landlords

SOURCES OF RURAL CREDIT

Institutional
Sources



NON-INSTITUTIONAL SOURCES

- ▮ The three important sources of non-institutional rural credit in India.
 - i. Landlords
 - ii. Village traders
 - iii. Moneylenders
- ▮ Traditionally, most credit needs of the farmers were met through these sources.





- At the time of independence, moneylenders and traders exploited small and marginal farmers and landless laborers by lending to them on high interest rates.
- A major change occurred after 1969 when India adopted social banking and multiagency approach to adequately meet the needs of rural credit.

INSTITUTIONAL SOURCES

The Institutional sources include.

- i Government
- ii Cooperatives
- iii Commercial Banks
- iv Regional Rural Banks

Protocols

NABARD
1982

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

Set up in 1982 as an apex body to coordinate the activities of all institutions involved in the rural financing system.

The Green Revolution brought major changes in the credit system as it led to the diversification of rural credit towards production-oriented lending.



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.

RRBs

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.

REGIONAL RURAL BANKS (RRBS) AND LAND DEVELOPMENT BANKS

They were set up to promote credit supplies, particularly in remote rural areas and backward districts.

These banks operate at the district level and are under obligation to focus on the credit needs of weaker sections of the rural population.

COOPERATIVE CREDIT SOCIETIES

- Cooperative credit societies provide adequate credit to the farmers at reasonable rate of interest.
- These societies also provide guidance in diverse agricultural operations with a view to raising crop productivity.



These societies are to ensure :

- i. The timely and rapid flow of credit to the farmers.
- ii. Elimination of the moneylenders as credit agencies.
- iii. Spread credit facilities across all regions of the country.

iv. Provision of adequate credit in
areas covered by special
programmes of development.

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STATE BANK OF INDIA AND OTHER COMMERCIAL BANKS

- ▮ Commercial banks play an important role in agriculture credit.
- ▮ SBI and other banks provide financial aids and support to farmers.





1

Rural Credit

2

Sources of rural credit

1

Which of the following is not an institutional source of agriculture credit?



NABARD



Punjab Gramin bank



Village traders

RRB



Government

2

Which of the following is not a non-institutional source of rural credit?

- ☒ A Moneylenders
- ☒ B Commercial banks
- ☒ C Village traders
- ☒ D None of the above

3

Land development banks were established for the purpose of-

- ☒ A Promote credit supply in urban cities
- ☒ B Restrict credit supply in villages and rural areas
- ☒ C To focus on the credit needs of weak sections of society
- ☒ D Borrow money from village moneylenders