

CHAPTER-5 | Rural Development

QUIZ
PART-02

1. Why is rural credit essential for farmers?
- To reduce dependence on urban markets
 - To meet initial investments and family expenses
 - To avoid agricultural diversification
 - To discourage farming activities (B)

Explanation : Farmers need credit for seeds, fertilisers, implements, and also family expenses like marriages or ceremonies.

2. Which of the following is a short-term credit requirement?
- Purchase of additional land
 - Construction of fences
 - Digging wells
 - Purchase of seeds and fertilisers (D)

Explanation : Short-term credit is for 6–12 months and covers inputs like seeds, fertilisers, pesticides, and electricity bills.

3. Which of these is classified as medium-term credit?
- Digging wells and buying machinery
 - Buying land for cultivation
 - Meeting daily consumption expenses
 - Electricity bill payments (A)

Explanation : Medium-term credit (1–5 years) is needed for buying machinery, constructing fences, and digging wells.

4. What is the duration of long-term credit in rural areas?
- 6–12 months
 - 12 months–5 years
 - 5–20 years
 - 1–3 months (C)

Explanation : Long-term credit (5–20 years) is required for buying additional land or permanent land improvements.

5. Which of the following is a non-institutional source of rural credit?
- Government
 - Cooperatives
 - Moneylenders
 - NABARD (C)

Explanation : Non-institutional credit sources include moneylenders, village traders, and landlords, who often exploited farmers.

6. Which institution was set up in 1982 to coordinate rural financing activities?
- Reserve Bank of India
 - NABARD
 - State Bank of India
 - Land Development Bank (B)

Explanation : NABARD was established in 1982 as an apex body to coordinate rural financing and improve credit delivery.

7. What was the main objective of setting up Regional Rural Banks (RRBs)?
- To provide loans only to urban traders
 - To focus on the credit needs of weaker rural sections
 - To support industrialisation in cities
 - To borrow from moneylenders (B)

Explanation : RRBs were created to promote credit supply in rural and backward districts, focusing on weaker sections.

8. Which of the following is not an institutional source of rural credit?
- Government
 - Cooperatives
 - Commercial banks
 - Village traders (D)

Explanation : Village traders are non-institutional sources, unlike banks, cooperatives, and government institutions.

9. Which function is not performed by NABARD?
- Apex funding agency for rural credit
 - Training of personnel
 - Borrowing from village traders
 - Monitoring and evaluation of refinanced projects (C)

Explanation : NABARD funds, coordinates, and monitors rural credit institutions, but does not borrow from traders.

10. What is a key role of cooperative credit societies?
- Exploiting farmers with high interest
 - Restricting flow of credit
 - Eliminating moneylenders and spreading credit across regions
 - Promoting only urban credit supply (C)

Explanation : Cooperative credit societies aim to eliminate moneylenders, ensure timely credit, and spread facilities nationwide.