

Marks : 40	<b>FYJC</b> <b>Subject: Economics</b> <b>Rural Development in India (CHAPTER 5)</b>	Time: 1.5 hrs.
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**Q.1. Complete the following statements.****(6 Marks)**

1. Rural credit system assumes importance because\_\_\_\_\_.
- a) It leads to an increase in the rural income.
  - b) Savings are inadequate to finance farming and other economic activities.
  - c) It leads to overall development of the rural areas.
  - d) It leads to reduction in rural inequality.

**Ans.** Savings are inadequate to finance farming and other economic activities.

2. Productive loans are economically justified because\_\_\_\_\_.
- a) They are related to agricultural production.
  - b) They are used for personal consumption.
  - c) They help in eradication of poverty.
  - d) They improve the quality of life of the people.

**Ans.** They are related to agricultural production.

3. Small farmers are unable to access rural credit provided by banks due to\_\_\_\_\_.
- a) Presence of money lenders.
  - b) No branches in rural areas.
  - c) High transaction costs.
  - d) Preference given to large farmers.

**Ans.** High transaction costs.

4. The rights of socially disadvantaged groups can be safeguarded through\_\_\_\_\_.
- a) Empowerment of women.
  - b) Proper enforcement of law and order.
  - c) Infrastructural development.
  - d) Improvement in quality of life

**Ans.** Proper enforcement of law and order.

5. The quality of life of the rural people can be improved by\_\_\_\_\_.
- a) Providing safe drinking water, health and hygiene facilities.
  - b) Effective implementation of land reforms
  - c) Providing subsidized credit facilities.
  - d) Reducing rural inequality.

**Ans.** Providing safe drinking water, health and hygiene facilities.

6. Service sector includes\_\_\_\_\_.
- a) Forestry
  - b) Transportation
  - c) Dairy
  - d) Horticulture

**Ans.** Transportation

**Q.2. Distinguish between:**

**(4 Marks)**

- Productive Agricultural Credit and Unproductive Agricultural Credit.

**Ans.**

<b>Productive Agricultural Credit</b>	<b>Unproductive Agricultural Credit</b>
<b>(1) Meaning</b>	
The Agricultural Credit that is used for agricultural productive activities is called productive agricultural credit.	The Agricultural Credit that is used for personal consumption and which is unrelated to Agricultural productive activities is called Unproductive Agricultural Credit
<b>(2) Examples</b>	
Credit used for purchase of land, tractor, seeds, fertilizers, etc.	Credit used for celebrating religious ceremonies, expenditure on marriage, etc.

- Non-Institutional Sources of Agricultural Credit in India and Institutional Sources of Agricultural Credit in India

**Ans.**

<b>Non-Institutional Sources of Agricultural Credit in India</b>	<b>Institutional Sources of Agricultural Credit in India</b>
<b>(1) Meaning</b>	
Non-Institutional Sources of Agricultural Credit in India constitute nearby 40 per cent of the total agricultural credit in India.	Institutional Sources of Agricultural Credit in India constitute nearby 60 per cent of the total agricultural credit in India.
<b>(2) Sources</b>	
Moneylenders and traders, landlords, commission agents, relatives, friends, etc. are the non-institutional sources of agricultural credit in India.	National Bank for Agriculture and Rural Development (NABARD), Rural Co-operative credit institutions, Commercial Banks, Regional Rural Banks (RRBs), Micro Finance Institutions [MFIs) are the Institutional Sources of Agricultural Credit in India

**Q.3. Identify and explain the concepts. (Any 5)**

**(10 Marks)**

- Kusumtai knowingly set up her business enterprise in the rural area so that people living there could be gainfully employed.

**Ans. (A) Identified concept:** Rural industrialization.

**(B) Explanation of concept:** Rural industrialization is a strategic process of establishing industries in rural areas to generate employment opportunities in rural areas which in turn, lead to economic growth and development of the country.

2. Raoji purchased a new tractor for his farm by taking a loan.

**Ans. (A) Identified concept:** Productive agricultural credit.

**(B) Explanation of concept:** The agricultural credit that is used for agricultural productive activities is called productive agricultural credit.

3. Subsidized credit is provided by banks to small farmers for purchase of high yielding variety (HYV) seeds.

**Ans. (A) Identified concept:** Short-term credit.

**(B) Explanation of concept:** Short-term credit refers to loans not exceeding two years. It is provided by banks to cultivators for purchasing high yielding variety (HYV) seeds, fertilizers, etc.

4. Damaji borrows loan from a credit society established in the village this season rather than taking it from a moneylender.

**Ans. (A) Identified concept:** Institutional source of agricultural credit.

**(B) Explanation of concept:** A source of agricultural credit that is owned, managed or regulated by government is called institutional source of agricultural credit. For example, Primary agricultural credit society.

5. Ramraoji takes a loan from the bank for a period of ten years subject to terms and conditions for the purpose of irrigated farming.

**Ans. (A) Identified concept:** Long-term agricultural credit.

**(B) Explanation of concept:** Long-term agricultural credit refers to loans that are taken for a period of more than five years.

6. Sandeep cultivated roses in his open field and sold them in markets located in cities.

**Ans. (A) Identified concept:** Horticulture.

**(B) Explanation of concept:** Horticulture is the science and art of growing, processing and sale of fruits, nuts, flowers, vegetables, or ornamental plants.

**Q.4. Read the following passage carefully and answer the questions given below:**  
**(4 Marks)**

Rural development is one of the thrust areas of administration. As Mahatma Gandhi rightly said, "India lives in villages and the development of the nation cannot be achieved without the development of the villages". The need of the hour is the convergence of all development interventions, at the grassroot level which can be possible through effective governance at the village level. The movement towards decentralization of the National and State governments through the Panchayati Raj system needs to be strengthened through lessons learned from the successful stories of 'Model villages' around India. Though India is progressing in the right direction in reducing education inequalities and increasing literacy levels, there is still a lot that needs to be done. An understanding of social issues is important for effective planning and policy development. Self-governance ensures that Indian citizens, even the previously marginalized, can participate in decision-making.

**Questions:**

(1) Explain in short Mahatma Gandhi's views on rural development.

**Ans.** According to Mahatma Gandhi, India lives in villages. He is of the opinion that rural development is extremely essential as development of nation cannot be achieved without rural development.

(2) Highlight the role of the government in achieving rural development.

**Ans.** To achieve rural development, the government must follow a policy of decentralization of power and Panchayati Raj system needs to be strengthened.

(3) What measures have been suggested to achieve rural development.

**Ans.** Decentralization of national and state Governments through the panchayati Raj, strengthening self-governance are the measures that have been suggested to achieve rural development.

(4) Express your idea of a 'Model Village'.

**Ans.** According to me, a 'Model Village' is a village where all people are well educated, all are employed, all are living a quality life.

**Q.5. Short notes. (Any 1)****(6 Marks)**

1. Significance of rural development in India.

**Ans.** Rural development in India has witnessed various plans and policies initiated by the government as well as at the non-government levels. Appropriate strategies for rural development will lead to economic growth and development of the country.

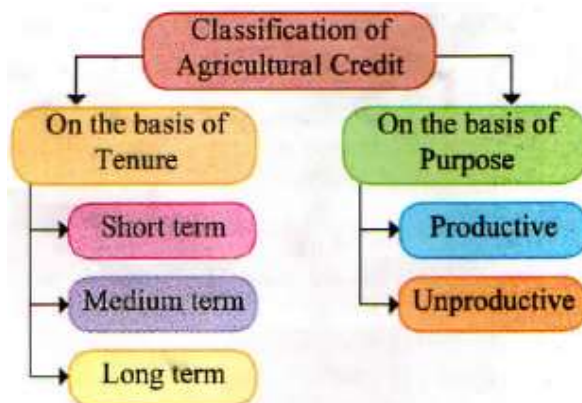
**Significance of Rural Development in India:**

- 1) Public health and sanitation:** Rural development helps to improve sanitation and hygiene, providing safe drinking water and affordable health facilities. This would lead to an improvement in the quality of life of the rural people.
- 2) Literacy rate in rural area:** Literacy is a powerful instrument of socio-economic change. However there is a considerable gap between the rural and urban literacy rates. Rural development helps to bridge this gap by making provisions for educational facilities at all levels.
- 3) Empowerment of women:** Rural development helps to reduce gender disparity, meet the diverse needs of rural women as well as encourage their participation in community development programmes.
- 4) Enforcement of law and order:** Rural development helps to safeguard the rights of the socially disadvantaged groups through proper enforcement of law and order.
- 5) Land reforms:** Rural development ensures effective implementation of land reforms such as ceiling on land holdings, regulation of rent, protection of tenancy rights etc. This leads to reduction in rural inequality.

- 6) **Infrastructure development:** Rural development leads to further progress in basic facilities such as generation of electricity, road connectivity, irrigation etc.
- 7) **Availability of credit:** Rural development also facilitates the growth of financial institutions such as primary agricultural co-operative credit societies, regional rural banks, cooperative banks. This is vital for providing subsidised credit facilities to the farmers.
- 8) **Eradication of poverty:** Rural development leads to an increase in rural incomes and standard of living. This helps in the eradication of poverty.

2. Types of Agricultural credit in India.

**Ans.** Agricultural credit is an important pre-requisite for agricultural growth. Agricultural policies have been reviewed from time to time to provide adequate and timely finance to this sector. Rural credit system assumes importance because for most of the Indian rural families, savings are inadequate to finance farming and other economic activities.



Types of Agricultural Credit:

Agricultural credit can be classified on the basis of:

- 1) **Tenure:** It is credit requirement based on the time-period of loans. It is of three types:
  - a) **Short-Term Credit:** It refers to loans not exceeding two years. It is required for meeting the short-term requirements of the cultivators, e.g. loans required for the purchase of fertilizers, High Yielding Variety (HYV) seeds, for meeting expenses on religious or social ceremonies etc.
  - b) **Medium-Term Credit:** These loans are for a period upto 5 years. These are the financial requirements to make improvements on land, buying cattle or agricultural equipments, digging up of canals etc.
  - c) **Long-Term Credit:** These loans are for a period of more than 5 years and are generally required to buy tractor, making permanent improvements on land etc.
- 2) **Purpose:** The agricultural credit on the basis of purpose for which the credit is used can be of two types:

- a) **Productive:** Productive loans are the loans that are related to agricultural production and economically justified, e.g. purchase of tractor, land, seeds etc.
- b) **Unproductive:** Unproductive credit is used for personal consumption and unrelated to productive activity, e.g. loans for expenditure on marriages, religious ceremonies etc.

**Q.6. Long answers.****(10 Marks)**

1. Explain the sources of agricultural credit in India.

**Ans.** 1) Non-Institutional Sources

2) Institutional Sources

1) **Non-Institutional Sources:** The non-institutional finance forms an important source of rural credit in India, constituting around 40 percent of total credit in India. The interest charged by the non-institutional lenders is usually very high. The land or other assets are kept as collateral security. The important sources of non-institutional credit are as follows:

i) **Money-Lenders:** Money-lending has been a widely prevalent profession in the rural areas. The money-lenders charge huge rate of interest and mortgage the property of the cultivators.

ii) **Other Private Sources:**

a) Traders, landlords, Commission agents, etc.

b) Credit from relatives, friends, etc.

2) **Institutional Sources** The general policy on agricultural credit has been one of progressive institutionalization aimed at providing timely and adequate credit to farmers for increasing agricultural production and productivity. Providing better access to institutional credit for the small and marginal farmers and other weaker sections to enable them to adopt modern technology and improved agricultural practices has been a major part of the policy.

Following are some of the institutional sources of agricultural credit in India.

i) **National Bank for Agriculture and Rural Development (NABARD):** It is the apex banking institution to provide finance for agriculture and rural development. National Bank for Agriculture and Rural Development (NABARD) was established on July 12, 1982 with a paid up capital of ₹ 100 crores by 50:50 contribution of Government of India and Reserve bank of India. NABARD is an apex institution in rural credit structure for providing credit for promotion of agriculture, small scale industries, cottage and village industries, handicrafts etc.

The paid up capital stood at ₹10,580 crores as on 31st March 2018. Consequent to the revision in the composition of share capital between Government of India and RBI, NABARD today is fully owned by Government of India.

- ii) **Rural Co-operative Credit Institutions:** The rural credit co-operatives may be further divided into short-term credit co-operatives and long-term credit co-operatives.
- A) Short-term credit co-operatives:** It provides short-term rural credit and are based on a three-tier structure as follows
- Primary Agricultural Credit Societies (PACS)
  - District Central Co-operative Banks (DCCB)
  - State Co-Operative Banks (SCB)
- B) Long-term credit Co-operatives:** These co-operatives meet long-term credit requirements, of the farmers and are organized at two levels:
- **Primary Co-operative Agriculture and Rural Development Banks:** These banks operate at the village level as an independent unit.
  - **State Co-operative Agriculture and Rural Development Banks:** These banks operate at state level through their branches in different villages.
- iii) **Commercial Banks:** Commercial Banks (CBs) provide rural credit by establishing their branches in the rural areas.
- iv) **Regional Rural Banks (RRBs):** Regional Rural Banks (RRBs) are the specialised banks established under RRB Act, 1976, to cater to the needs of the rural poor. RRBs are set-up as rural-oriented commercial banks with the low cost profile of co-operatives but with the professional discipline and modern outlook of commercial banks.
- v) **Micro Finance Institutions (MFIs):** Banks offer concessional interest rates for the rural credit. However, small farmers are unable to access them because of borrower-unfriendly products and procedures, inflexibility and delay, and high transaction costs, both legitimate and illegal. Thus, Non-Government Organisations (NGOs) are providing alternative means to enhance access to credit by the poor since mid-70's.