

पैतालीसवां वोल्यूम : नं. १ : जनवरी-जून, २००९ VOL. XXXV : No. 1 : JANUARY-JUNE, 2009

R. N. No. 15058/67

ISSN : 0004-3567

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JOURNAL OF ECONOMIC DEVELOPMENT

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RURAL AND AGRICULTURAL CREDIT IN INDIA AND GUJARAT - SOME ASPECTS

Dr. P.K. Singh and Dr. D.J. Chauhan

Rural and Agricultural Credit

Comprehensive Rural Credit Policy of India began with the publication of the Report of All India Rural Credit Survey Committee in 1954. The Report revealed that, in 1951-52, the share of institutional credit to rural households was only 7.3 per cent with the share of commercial banks lending being a merely 0.09 per cent. This reveals that the commercial banks and other financial institutions played an insignificant role in financing the farmers. However, banks became important instruments for rural finance with the nationalisation of 14 commercial banks in 1969. Later on, in 1980, six more banks were nationalized. In 1975 a major step of establishing regional rural banks (RRBs) was taken. The RRBs were set up in different states with equity participation from commercial banks, Central Government and state governments. For channelising the credit to rural areas the RBI had made various arrangements. For the consolidation of these efforts the NABARD was established in 1982.

RBI introduced "Service Area Approach" for commercial banks. This scheme was to concentrate on focused lending and contribute to development of the area. Next, the concept of Local Area Banks was taken up in 1996-97. Apart from the availability of credit lines from RBI the concept of "priority sector" was evolved as a policy measure to enhance the flow of credit to rural areas (Sehgal, 2007).

Policy Initiatives for Rural Banking

The Government has taken various policy initiatives to promote rural banking. These initiatives are: contributing additional capital to NABARD both by RBI and GOI, recapitalization and restructuring of RRBs, simplification of lending procedures as per Gupta Committee recommendations, preparation of special credit plans by public sector banks, launching of kisan credit cards to facilitate disbursement of crop loans and other short term loans, linking of SHGs with banks under NABARD scheme. RBI has also created Micro-finance Credit Development Fund for developing the microfinance (MF) sector. These initiatives have widened the network of rural financial institutions and have also helped in developing a banking culture and reservation of formal credit to rural area. Therefore, it has been helpful in providing adequate finances for the modernization of rural economies and implementation of anti-poverty and self employment programmes (Sehgal, 2007).

Dynamics of Rural Economy

Rural economy of India is showing signs of changes in form of greater integrations between rural

