

**RURAL DEVELOPMENT IN INDIA -
PROBLEMS AND PROSPECTS**

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Performance of Rural Credit for the Development of Rural India

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Introduction:

Rural development has to play a significant role in the overall socio-economic development of rural areas. The rural economy affects directly or indirectly almost all the economic activities and provides employment to the maximum number of rural people. The rural sector continues to play an important role in terms of contribution to GDP and employment generation in a developing country like India. However, development is stagnant in these areas due to shortage of capital. There is an urgent need to strengthen the rural economy with knowledge, technological upgradation and entrepreneurial skills so that it can access the capital for investment, production and consumption. Credit is a key factor for rural development. For the vast majority of rural people, access to credit is very difficult. There is an urgent need to make available services that can help them to manage and utilize the credit effectively.

According to Report of RBI (2011), inclusive growth as a strategy of economic development has received improved attention in recent years owing to rising concerns that the benefits of economic growth have not been equitably shared. Growth is inclusive when there is equality of economic opportunities. Financial inclusion makes growth broad based and sustainable by progressively encompassing the hitherto excluded population. Financial inclusion is no longer a policy choice but a policy compulsion. Banks and other financial services players are expected to mitigate the supply side bottlenecks that hinder the poor and disadvantaged social groups from gaining access to the financial system. Empirical evidence suggests that access to financial products is constrained by several factors which include: lack of awareness about the financial products, unaffordable products, high transaction costs, and products which are inconvenient, inflexible, not customised and of low quality. Microfinance and financial services play essential roles in addressing these issues.

The All India Rural Credit Review Committee was set up in July 1966 to review the supply of rural credit. After a comprehensive review, the Committee recommended that the commercial banks should play a complementary role, along with co-operatives in extending rural credit. Despite all these efforts, the flow of credit to the agricultural sector failed