



CAIIB

Module-A Unit-6

Rural Banking



CAIIB Rural Banking Module A Unit 6- Rural Development Policies

National Rural Livelihoods Mission (NRLM)

The originally launched **Integrated Rural Development Program (IRDP)**, subsequently modified as **Swarnjayanti Gram Swarozgar Yojana (SGSY) in the year 1999**, was a flagship program of the Ministry of Rural Development.

The program aimed at providing sustainable income to rural BPL households, through income generating assets/economic activities, in order to bring them out of poverty.

The Committee recommended adoption of a 'Livelihoods Approach' to rural poverty elimination. The approach encompassed the following four inter-related tasks:

- Mobilizing poor households into functionally effective SHGs and their federations
- Enhancing access to bank credit and financial, technical and marketing services
- Building capacities and skills for gainful and sustainable livelihoods development
- Converging various schemes, for efficient delivery of social and economic support services to poor households

The guiding principles of NRLM are:

- Poor have a strong desire to come out of poverty, and they have innate capabilities
- Social mobilization and building strong institutions of the poor is critical for unleashing the innate capabilities of the poor.
- An external dedicated and sensitive support structure is required to induce the social mobilization, institution building and empowerment process
- Facilitating knowledge dissemination, skill building, access to credit, access to marketing and access to other livelihood services underpins this upward mobility

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

The core objectives of MGNREGA are as under:

- Providing not less than one hundred days of unskilled manual work, as a guaranteed employment in a financial year to every household in rural areas as per demand, resulting in creation of productive assets of prescribed quality and durability
- Strengthening the livelihood resource base of the poor
- Proactively ensuring social inclusion
- Strengthening Panchayati Raj Institutions.

It provides a legal guarantee for wage employment by providing allowances and compensation both in cases of failure to provide work on demand and delays in payment of wages for work undertaken.

Social audit is a new feature under the program, which creates accountability of performance, especially towards immediate stakeholders.

Skill Development And Entrepreneurship Initiatives

Skills and knowledge are driving forces of economic growth and social development for any country. Countries with higher levels and better standards of skills adjust more effectively to the challenges and opportunities in domestic and international job markets. Our country, however, has a big challenge ahead, as it is estimated that only 14.69 per cent of the total workforce has undergone formal skill training.

National Institute for Entrepreneurship and Small Business Development (NIESBUD)

NIESBUD, registered under the Societies Registration Act, 1860, has been functioning since 6 July 1983. The administrative affairs of the Institute were transferred to the Ministry of Skill Development and Entrepreneurship, in May, 2015.

The broad functions/activities of the Institute are as under:

- Accelerating introduction of Entrepreneurship in formal education (general, technical, skill and management) streams.
- Developing promotional material, designing motivational campaigns and undertaking related activities, for creating conducive environment, for entrepreneurial efforts
- Facilitating provision of Business Development Services, for prospective start-ups/self-employment ventures.
- Putting in place an e-mechanism, for providing mentoring support, monitoring and follow up.
- Co-ordinating/Facilitating activities under the “Pradhan Mantri Yuva Yojana” including Assessment and Certification of the beneficiaries.
- Organizing research and other interventions for ascertaining effectiveness of the initiatives aimed at ‘Ease of Doing Business’ by ‘Start-ups’ and ‘Self-employed’ in the country.
- Creating and hosting a Knowledge Repository of information, support materials, government policies, etc., for use by potential Start-ups, New Entrepreneurs and MSMEs.

Indian Institute of Entrepreneurship (IIE)

The Indian Institute of Entrepreneurship (IIE) was established in the year 1993, in Guwahati, by the Ministry of Industry, Department of SSI & ARI, and Government of India, as an autonomous national institute. **The broad functions/activities of the Institute are as under:**

- To promote and develop entrepreneurship.
- To conduct research and provide consultancy services, for entrepreneurship development.

- To coordinate and collaborate with other organizations in providing training, and undertake research and other activities to increase the outreach
- To provide consultancy services to potential entrepreneurs and enhancing employability of the participants.
- To promote greater use of information technology, in the activities/functions of the IIE, schemes and initiatives through the National Skill Development Corporation.

Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

PMKVY is the flagship outcome-based skill training scheme of the Ministry of Skill Development & Entrepreneurship (MSDE). The objective of this skill certification and reward scheme is to mobilize a large number of Indian youths to take up outcome-based skill training, to become employable and earn their livelihood.

The scheme has two components viz.,

- **Centrally Sponsored Centrally Managed (CSCM) scheme** -75% of the PMKVY (2016-2020) funds shall be available to MSDE for skilling through National Skill Development Corporation (NSDC)
- **Centrally Sponsored State Managed (CSSM) scheme** - (25% of the funds of PMKVY 2.0 shall be allocated to the States).

Ministry of Skill Development and Entrepreneurship through NSDC, implements the Pradhan Mantri Kaushal Kendra (PMKK) Scheme, for setting up of model skill centre, in every district of the country

Udaan Scheme

- The Special Industry Initiative (SII) for J&K is funded by the Ministry of Home Affairs and implemented by the **National Skill Development Corporation**
- Udaan program is a special initiative to **address the needs of the educated unemployed in J&K**. It is focused on youth who are graduates, post graduates and three-years diploma engineers. The aim is to provide skills and job opportunities to the youth.
- The target was to reach out to 40,000 youth in J&K over a period of 5 years. The objectives of the Scheme are: (a) to provide exposure to the graduates and post graduates of Jammu and Kashmir to the best of corporate India and (b) to make available the rich talent pool available in the state.
- Udaan Mega Drives act as a platform where multiple corporates help mobilize youth of J&K for Udaan training program that are organized across the state in different districts.

Pradhan Mantri Yuva Yojana

The **Pradhan Mantri Yuva Udyamita Vikas Abhiyan (YUVA)**, launched in November, 2016, aims at creating an enabling eco-system, for entrepreneurship promotion among youth, through entrepreneurship education and training, advocacy, easy access to entrepreneurship support network and promotion of social entrepreneurship.

The specific objectives of the scheme are to

- Educate and equip potential and early-stage entrepreneurs
- Connect entrepreneurs through networks of peers, mentors, incubators, funding and business services
- Support entrepreneurs through Entrepreneurship Hubs (E-Hubs)
- Catalyze a culture shift to support aspiring entrepreneurs.

The Scheme is being implemented in partnership with both public and private stakeholders.

Shyama Prasad Mukherji Rurban Mission (SPMRM)

Government has launched the Shyama Prasad Mukherji Rurban Mission (SPMRM), in September 2015, aimed at strengthening rural areas by provisioning of economic, social and physical infrastructure facilities.

The Mission aims at development of 300 Rurban clusters, in the next 5 years. The Objectives are:

- Bridge the rural urban divide- economic, technological and those related to facilities and services.
- Spreading development in the region.
- Attracting investments in the rural areas.
- Stimulating local economic development with emphasis on reduction of poverty and unemployment in rural areas.

A '**Rurban cluster**', would be a cluster of geographically contiguous villages with a population of about 25,000 to 50,000 in plain and coastal areas and a population of 5,000 to 15,000 in desert, hilly or tribal areas.

Programs For Development Of Backward Areas**Drought Prone Areas Program (DPAP):**

The DPAP was launched by the Government, as an integrated area development program in the year 1973, in arid and semi-arid areas having poor natural resources. Drought prone areas had degraded environment and suffered from soil erosion, water and moisture stress.

The main thrust of this program was directed towards restoration of ecological balance by focusing on:

- Development and management of water resources,
- Soil and moisture conservation measure,
- Afforestation,
- Development of pasture lands,
- livestock development, and
- Development of subsidiary occupations.

Hill Areas Development Program (HADP):

The basic objective of this program was to bring about socio-economic development of the hills and the people living there.

Desert Development Program (DDP):

It was launched with an aim to with the aim of:

- Controlling further desertification of the desert areas
- Mitigating the adverse effects of drought in the areas
- Restoring the ecological balance
- Raising productivity of land and water resources in these areas.

Power Supply To Rural India Program

- Government of India has launched the scheme “**Deendayal Upadhyaya Gram Jyoti Yojana**” for rural electrification to provide continuous power supply to rural India in 2015. The erstwhile Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) scheme for village electrification and providing electricity distribution infrastructure in the rural areas has been subsumed in the DDUGJY.
- **Rural Electrification Corporation is the Nodal Agency for implementation of the DDUGJY.**
- Under the scheme, 60% of the project cost (85% in the case of special states) is provided as grant by GOI and additional grant up to 15% (5% in the case of special category states) is provided on achievement of prescribed milestones.
- **The International Energy Agency (IEA), 2018** has acknowledged that India’s move to energize every village in the country with electricity is one of the greatest success stories in the world in 2018.

Development Of Dryland Farming

A centrally sponsored scheme of **Integrated Dry Land Agricultural Development** was launched in 1970-71, in 24 pilot projects. The objective of the scheme was to test and demonstrate the technology developed by the All -India Co-ordinated Research Project for Dryland Agriculture, under the Indian Council for Agricultural Research (ICAR).

The major components of watershed development were:

- Land development,
- Construction of water harvesting storage,
- Coverage of area with improved/drought resistant seeds and fertilizers.

The **National Watershed Development Project for Rainfed Areas (NWDPA)** initiated in the Sixth Plan envisaged that a micro watershed would be taken up for development in every block having assured irrigation of less than 30%.

Soil And Water Conservation

- Soil conservation is a measure undertaken in order to prevent soil loss from erosion or reduced fertility, caused by over usage, acidification, salinization or other chemical soil contamination.

- Techniques adopted for improved soil conservation include practices like crop rotation, cover cropping, conservation tillage and planted windbreaks (linear planting of trees and shrubs in a designed way), etc.
- **The National Water Policy (NWP), 2012** serves as a policy guideline, for development and management of water resources, in the country.
- It has emphasized on their implementation through the National Water Board, by preparing a plan of action. The Ministry of Water Resources, River Development and Ganga Rejuvenation, is responsible for conservation, management and development of water, research and development, training and matters relating to irrigation and multi-purpose projects

Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)

- It is being implemented with the objective of developing a long- term solution for mitigating the effect of drought and increasing area under irrigation with motto of '**Har Khet Ko Pani**'.
- The scheme has been conceived amalgamating the Accelerated Irrigation Benefit Program (AIBP) of the Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR, RD&GR), Integrated Watershed Management Program (IWMP) of Department of Land Resources (DoLR) and the On Farm Water Management (OFWM) of Department of Agriculture, Cooperation and Farmers Welfare.
- The major objective of PMKSY is to achieve convergence of investments in irrigation at the field level, expand cultivable area under assured irrigation, improve on farm water use efficiency to reduce wastage of water, enhance the adoption of precision irrigation and other water saving technologies.

Rural Infrastructure Development Fund

The Fund was instituted with an initial corpus of Rs. 2,000 crore, by way of deposits to be placed with NABARD by commercial banks to the extent of their respective shortfalls in agriculture lending, under priority sector.

At present, there are 37 eligible activities under RIDF as approved by GOI. The eligible activities are classified under three broad categories i.e.,

- Agriculture and related sector
- Social sector and
- Rural connectivity.

The project for rural connectivity, social and agri-related sector, are eligible for loans to the extent of 80% to 95% of project cost.

Loans availed under RIDF are to be repaid in equal annual instalments within seven years from the date of withdrawal, including a grace period of two years. The interest shall be paid at the end of each quarter. The implementation phase for projects sanctioned under the Fund is spread over two to five years, varying with the type of the project and also location of the state.

Economic Reforms

Macroeconomic Stabilization

The key policy reforms introduced in this area were fiscal-monetary policy reforms. These were aimed at:

- Providing a better balance between aggregate demand and supply
- Minimizing the distortion effects of the tax system
- Forcing public enterprises to minimize cost and maximize efficiency.

Government's expenditure was concentrated in two areas:

- ✓ Consumption expenditure, and
- ✓ Subsidy payments.

In order to generate additional revenue, government planned to broaden tax base, rationalize tax rates and improve collection through non-tax sources.

Structural Reforms

Comprehensive structural reforms have been undertaken to improve the supply-side of economy. Among them the important ones were: **(i) Trade and capital flows reforms, (ii) Industrial deregulation, and (iii) Public sector reforms.**

Trade and Capital flow Reforms:

- ✓ Government initiated a number of trade policy changes, with a view to integrating the Indian economy better, with the rest of the world. The value of rupee was adjusted downward by about 20 per cent in July 1991.
- ✓ The other measures included the convertibility of the rupee first on trade account and then on entire current account transaction, liberalization of import regime, substantial lowering in customs tariff rates, measures to promote exports.

Industrial Deregulation:

- ✓ Historically, domestic economic activities in India were subjected to a wide-ranging government control measure. In the industrial sector, such controls took various forms like industrial licensing, which acted as a barrier to entry, reservation of a large number of industries, for the public sector and for the small-scale sector, time consuming procedures required for the exit of firms from an industry and price and distribution control on various industrial products. The thrust of new industrial policy announced in July, 1991 was on removing these controls

Public Sector Reforms

- ✓ Since the public sector was not generating enough internal resources and becoming a constraint on economic growth, the government adopted a new approach viz. provision of greater managerial autonomy to public enterprises to enable them to work efficiently; encourage private sector competition in areas

where social considerations are not paramount; and provide market orientation to the public sector through the disinvestment process.

Financial Sector Reforms

A committee under the chairmanship of **Shri M. Narasimham** was set up to examine the country's Financial System and the committee submitted its report in December 1991. The Committee, recommended

- Gradual reduction of the reserve requirements to be maintained by banks (both SLR and CRR)
- Redefining the priority sector and phasing out the directed lending programs
- Interest rate determination on the grounds of market forces such as demand for and the supply of fund
- Structural reorganization of the banking sector
- Establishment of ARF tribunal, to ease the problems of NPAs in banks
- Provision of autonomy to the public sector banks
- Adoption of uniform accounting practices, particularly, in regard to income recognition and provisioning against doubtful assets and making full disclosures in the balance sheets
- Rationalization of operations of foreign banks.

Following acceptance of the report by GOI, the following actions were initiated:

- SLR and CRR were reduced from 38.5 per cent to 25 per cent and from 15 per cent to 10 per cent respectively.
- The RBI introduced prudential norms for income recognition, classification of assets and provisioning for bad debts for the first time.
- The banks were required to maintain capital equivalent to 8 per cent of their risk weighted assets.
- Commercial banks which had met certain stipulated conditions were allowed to open new branches without the approval of the RBI. They were also permitted to close down non-viable branches other than those in rural and semi-urban areas.
- Interest rates of commercial banks on loans above Rs. 2 lakhs were fully deregulated.
- Interest rates on advances of all Co-operative banks and Regional Rural Banks were deregulated.

Impact of Reform In Rural Economy

The impact of reforms on rural economy is discussed in the following five important areas

- Flow of credit for agriculture and rural development
- Investment in agriculture
- Input subsidies
- Agricultural exports
- Poverty alleviation and employment generation programs

Doubling the Farmers' Incomes by 2022

- Pradhan Mantri Kisan Samman Nidhi (PM-KISAN). The scheme aims to provide a payment of Rs. 6,000 per year, in three 4-monthly installments of Rs. 2,000 to the farmers families
- Pradhan Mantri Kisan Maan Dhan Yojana (PM-KMY) for providing old age pension to these farmers. Under this Scheme, a minimum fixed pension of Rs. 3,000 will be provided to the eligible small and marginal farmers, on attaining the age of 60 years.
- Government has approved the increase in the Minimum Support Price (MSPs) for all Kharif & Rabi crops for 2018-19 season, at a level of at least 150 percent of the cost of production.
- “Per drop more crop” initiative under which drip/sprinkler irrigation is being encouraged for optimal utilization of water, reducing cost of inputs and increasing productivity
- “Paramparagat Krishi Vikas Yojana (PKVY)” launched for promoting organic farming.
- Launch of e-NAM initiative to provide farmers an electronic transparent and competitive online trading platform.
- Under “Har Medh Par Ped”, agro-forestry is being promoted for additional income. With the amendment of Indian Forest Act, 1927, Bamboo has been removed from the definition of trees. A restructured National Bamboo Mission has been launched in the year 2018 to promote bamboo plantation on non-forest government
- Government has approved a new Umbrella Scheme ‘Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA)’. The Scheme is aimed at ensuring remunerative prices to the farmers for their produce.
- Bee keeping has been promoted under Mission for Integrated Development of Horticulture (MIDH) to increase the productivity of crops through pollination and increase the honey production as an additional source of income of farmers.
- Government provides interest subvention of 2 per cent on short-term crop loans up to Rs. 3.00 lakh besides incentive for prompt repayment at 3 per cent. Presently, loan is available to farmers at an interest rate of 4 per cent per annum on prompt repayment.
- There are Micro Irrigation Fund (Rs. 5,000 crores); Agri-marketing Fund to strengthen eNAM and GrAMs (Rs. 2,000 crores); Agricultural Infrastructure Fund (AIF) to build agri-logistics (backward & forward linkages) (Rs. 1 lakh crore).
- **Market intervention scheme:** The Department of Agriculture, Cooperation and Farmers’ Welfare implements the MIS for procurement of agricultural and horticultural commodities which are perishable in nature and are not covered

under the PSS. The objective of intervention is to protect the growers of these commodities from making distress sale in the event of a bumper crop during the peak arrival period when the prices tend to fall below economic levels and cost of production.

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