

RURAL CREDIT

The Reserve Bank of India was a pioneer central bank in the sphere of rural credit. Its founding Act and subsequent amendments entrusted to the Bank responsibility for enlarging the availability of rural credit. Rather diffidently shouldered until the 1940s, this responsibility was reinforced after 1947 and more markedly from the 1950s. The years covered by this volume were thus marked by a number of initiatives culminating in the Bank and the government taking a more direct role in setting up and developing cooperative and other types of rural credit institutions. Equally, the Bank's own functioning was deeply affected by its growing exposure to the relatively new and unusual world of rural credit.

No other central bank faced quite the same set of challenges as the Reserve Bank of India, and there were few precedents in the beginning that it could draw lessons from. Not surprisingly, therefore, the Bank's early steps in this unfamiliar terrain were really in the nature of feeling its way. The Bank convened an informal conference on rural credit to assess its role in the light of the report of the Rural Banking Enquiry Committee. This was followed by the constitution of an expert Standing Advisory Committee on Agricultural Credit with the Governor himself as its chairman. The most important preliminary step from the point of view of its impact on the longer-term policy and institutional regime was, however, the commissioning and completion of the landmark All-India Rural Credit Survey. The Report of this Survey, which was submitted in 1954, underlay most of the rural credit initiatives of the Bank over the next several years.

This part of the volume is organized in two chapters. Chapter 7 begins

with a brief summary of the developments culminating in the setting up of the All-India Rural Credit Survey, outlines the principal features of its Report, and the official and non-official response to it. It then goes on to survey the Bank's role in reforming institutional arrangements for supplying medium- and long-term credit for agricultural development. Chapter 8 discusses the Bank's role in restructuring the short-term cooperative credit structure and reviews its growing differences with the government over some basic principles of cooperative organization. It concludes with an account of the Bank's efforts to gear rural credit institutions to meeting the financial requirements of the so-called green revolution.

The Report of the Rural Credit Survey also led to the formation of the State Bank of India and its subsidiary banks. These developments are covered in chapters 9 and 10, which together comprise the next part of the volume.