Daily Mains Practice Answer 18-07-2026

Q. "An inclusive rural credit system is essential for achieving sustainable agricultural growth and rural prosperity." Discuss the significance of strengthening rural credit in India. What are the major challenges in ensuring equitable access to institutional finance? (250 words, 15 marks)

Direction: Intro-------Significance + Challenges-----Conclusion.

Introduction:

Mention India's rural credit ecosystem (or) Define Rural Credit.

Main Body

Significance

- Financing agriculture and allied activities – Affordable and Diversified credits to boost productivity.
- Boosting non-farm business activities – Like dairy, fisheries and animal husbandry.
- Enhancing financial inclusion & participation – Via digitisation, PMJDY, JAM Trinity, Jan Samarth Portal, e-KCC, etc.
- Supporting household consumption – 51% of households depend exclusively on formal credit (NABARD's Rural Economic Conditions Survey).
- Driving economic expansion.
- Reduces dependence on informal lenders.
- Improves food security.
- Encourages rural entrepreneurship.

Challenges

- Dependence on informal credit – especially small and marginal farmers.
- Lack of collateral and land records leads to exclusion from credit.
- Regional disparities due to lack of infrastructure.
- Limited digital awareness and financial literacy.
- Gender gap in credit.
- Inadequate credit to allied sectors.
- Credit gaps for vulnerable communities, including tribal farmers and remote rural households.

Conclusion:

Conclude in positive note by saying the outcomes of inclusive credit (or) Over time, India's rural credit system has transitioned and contributed to rural development.