

Determinants of Economic Growth

Economic Factors.

1. Natural Resources.

- ⊕ = Principal factor affecting the development of an economy is the natural resources or land. Land and its composition i.e., fertility of land, forest wealth, minerals, climate, water resources, sea resources etc.
- = Proper utilization of these resources.
- = Deficient in exploitation of resources, a country cannot develop.

2. Capital Accumulation.

- = Capital means the stock of physical reproducible factors of production.
- = When the capital stock increases with the passage of time that is called capital accumulation or capital formation.
- = Capital formation = ① existence of real saving
② existence of credit and financial institutions to mobilise savings
③ To use these savings for investment in capital goods.
- = capital formation reflects effective demand.

3. Organisation

- = It relates to optimum use of factors of production in economic activities.
- = Role of entrepreneurs in the process of production.



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4. Technological Progress

- ≥ Changes in technology lead to increase in the productivity of labour, capital and other factors of production.
- ≥ Scientific discovery, innovation and invention, technical knowledge lead to economic development.

5. Division of labour and scale of production.

When the scale of production is large, there is greater specialisation and division of labour. As a result production increases and the rate of economic progress is accelerated.

6. Structural changes.

Structural changes imply the transition from traditional society to knowledge society of today which increases employment opportunities, higher labour productivity and stock of capital. Innovation, technical skills are also the key determinants of economic growth.

Non-Economic Factors.

1. Social factors - Social attitude, values and institutions should be changed. Joint family, caste system, kinship, religious dogmas should be modified.
Asian drama - modernisation values = social, cultural and psychological framework.
2. Human Factor.
3. Political and Administrative factors.

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Sources of Agricultural Credit.

Several financial institutions have been established to provide credit/loans on time to the farmers in which Regional rural banks, NABARD, commercial banks and cooperative banks are important.

1. Regional Rural Banks - These banks came into existence on the ^{joint} recommendations of the central and state governments. For the first time in 1975 five regional rural banks were established which have risen to 196 in 2005. Its 90 percent branches were opened in rural areas. These banks provide loans and credit to farmers living below the poverty line.

2. Co-operative Credit Societies.

Co-operative credit societies provide cheap loans on low interest rates to the most to financial assistance to the farmers. They also provide necessary guidelines to make future planning of agriculture to the farmers.

Main objectives of the co.c. societies (CCS)

1. To provide sufficient credit facilities to the farmers.
2. To discourage Mahajan system in rural areas.
3. To remove regional imbalance in credit facilities.

3. NABARD

NABARD came into existence in 1982. It is apex of the credit institutions in India.

The bank has been entrusted with matters concerning policy, planning, and operations in the field of credit for agriculture and other economic activities in rural India.

The NABARD is taking the necessary steps to revitalize and rejuvenate the rural economy of India by developing agriculture, small scale and cottage industries and Trade activities in all possible ways.

4. Rural Infrastructure Development Fund (RIDF)

To increase the public capital formation (निवेश) the government has established RIDF in 1995-96. This gives financial assistance to State government and Local bodies of the state to complete various projects in rural areas.

5. Cooperative Development Fund :- In the year 1993 NABARD has established this fund. Its main aim is to provide fund to various credit institutions, Human Resource Development, etc.

6. Small Finance Institution (सूक्ष्म वित्त संस्था). On the direction of the RBI in 2000, the commercial banks and regional rural banks provide loan/credit to this institution to cope the needs of the farmers.

7. KCC (Kisan Credit Card) :- In 1998-99 this credit card was started. NABARD has also provided assistance to increase its level best.

8. National Agricultural Insurance Scheme (Yojna)

In April 1985 Central Agriculture Ministry has started Pashu Bima Yojna on broad level to meet the needs of the farmers in case of damage of crops due to drought or flood, or other natural calamities.