

Chapter - 5

RURAL DEVELOPMENT

What is 'Rural Development? Bring out the key issues in rural development.



The process of improving the quality of life and economic well-being of people living in rural areas is called rural development.

Key issues in rural development-

- ❖ Rural people account for about 3/4 th of total population.
- ❖ Share of agriculture sector to GDP was on a decline.
- ❖ Inadequate infrastructure.
- ❖ Lack of alternate employment opportunities in the industry or service sector

What are the various areas covered in rural development?

1. Human Resources development

- Literacy; more specifically, female literacy, education and skill development.
- Health- addressing both sanitation and public health.



2. Expansion of the productive resources of each locality to improve opportunities of employment (particularly other than farming).



3. Land reforms

- Abolition of exploitation in land relations; increasing agricultural productivity and production.



4. Poverty reduction:



- Alleviation of poverty and bringing significant improvement in living conditions of weaker sections of the society. Around 30 % of total population is still below the poverty line.
- By providing employment opportunities.

5. Development of Infrastructure

- Electricity, irrigation, credit, marketing, transport facilities including construction of village roads and feeder roads to nearby highways.
- Facilities for agriculture research and extension.



Discuss the importance of credit in rural development.

1. Exploitation by middlemen:-

- Moneylenders and traders exploit small and marginal farmer's and landless labourers by
 - a. lending them money on high interest rates &
 - b. Manipulating the accounts to keep them in a debt-trap.

2. Long gestation period: -

- Time gestation between crop sowing and realization of income after production is quite long.
- Farmers need credit to meet their initial investment on seeds, fertilizers, implements and other family expenses.

3. Source of economic development:-

- Rural economic development depends primarily on infusion of capital/credit, from time to time to realize higher productivity in agriculture and non- agriculture sectors.



A major change occurred after 1969 when India adopted social banking and multiagency approach to adequately meet the needs of rural credit. Explain.

Agriculture and Rural Development (NABARD) was setup in **1982** as an apex body to coordinate the activities of all institutions involved in the rural financing system.

- ❖ The **Green Revolution** was a mile stone in the credit system as it led to the diversification of the portfolio of rural credit towards production oriented lending.
- ❖ The institutional structure of rural banking today consists **commercial banks, regional rural banks (RRBs), cooperatives and land development banks**. They are expected to distribute adequate credit at cheaper rates.
- ❖ Recently, **Self-Help Groups** (henceforth SHGs) have emerged.



Explain the role of micro-credit programmers in meeting the credit requirements of the poor.

Need: - Fill the gap in the formal credit system

- Formal credit delivery mechanism has proven inadequate for rural development.
- Since some kind of collateral is required, vast proportion of poor households were automatically out of the credit network.

Working of SHGs

- The SHGs promote thrift (savings) in small proportions by a minimum contribution from each member.
- From the pooled money, credit is given to the needy members to be repayable in small instalments at reasonable interest rates.

Success

- By March end 2003, more than **seven lakh SHGs** had reportedly been credit linked.
- SHGs have helped in the empowerment of women.



Critically evaluates the role of the rural credit / banking system in the process of rural development in India.



SUCCESS

- ✓ Rapid expansion of the rural banking system had a positive effect on rural farm and non-farm output income and employment, especially after the green revolution - it helped farmers to avail services and credit facilities and a variety of loans for meeting their production needs.
- ✓ We have now achieved food security which is reflected in the abundant buffer stocks of food grains.

FAILURES

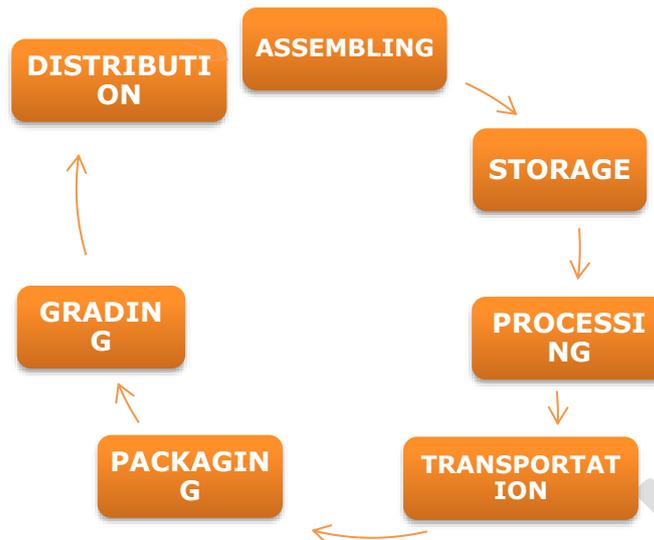
- Except commercial banks, other formal institutions have failed to develop a culture of deposit mobilisation - lending to worthwhile borrowers and effective loan recovery.
- Agriculture loan default rates have been chronically high.

SUGGESTIONS

- ❖ Banks need to change their approach from just being lenders to building up relationship banking with the borrowers
- ❖ Inculcating the habit of thrift and efficient utilization of financial resources needs to be enhanced among the farmers too.

What is Agricultural marketing?

The process that involves assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country to the consumers is called '**Agricultural marketing System**'.



Efficient ways by which the farmers can dispose their surplus produce at a fair and reasonable price.

Why 'Agricultural marketing' is required?

- **Manipulations by Big Traders:**
Prior to independence, farmers suffered from faulty weighing and manipulation of accounts while selling their produce to traders.
- **Market Facilities lacking:**
Farmers were often forced to sell at low price due to lack of required information on prices prevailing in markets.
- **Storage Facilities lacking:**
They also did not have proper storage facilities to keep back their produce for selling later at a better price.



Discuss the measures initiated by the government in developing rural marketing aspect.

OR

State intervention became necessary to regulate the activities of the private traders.

1. Different policy Instruments:

In order to protect the farmers, the government has initiated the following policies:

➤ **MINIMUM SUPPORT PRICES (MSP):**

To safeguard the interest of farmers, government fixes the minimum support prices of agricultural products.

➤ **MAINTENANCE OF BUFFER STOCK:**

The Food Cooperation of India (FCI) purchases wheat and rice at the procurement prices, to maintain buffer stock. Buffer stock is created in the years of surplus production and is used during shortages.

➤ **PUBLIC DISTRIBUTION SYSTEM (PDS):**

Fair price shops offer essential commodities like wheat, rice, kerosene, etc. at a price below the market price, to the weaker sections of the society.

2. Regulated Markets:

Regulated markets have been organized with a view to protect the farmers from the malpractices of sellers and brokers. This policy benefitted the farmers as well as the consumers.

3. Infrastructural Facilities:

To provide physical infrastructure facilities like roads, railways, warehouses, godowns, cold storages and processing units.

4. Policy of Cooperative Marketing:

Under this, marketing societies are formed by farmers to sell the output collectively and to take advantage of collective bargaining, in order to obtain better price.



What are the emerging alternate marketing channels for agricultural products? Explain their benefits.

1. Direct selling to customers:

If farmers directly sell their produce to consumers, it increases their incomes.

Examples of these channels are:

- Apni Mandi (Punjab, Haryana and Rajasthan)
- Rythu Bazars (Vegetables and fruits markets in Andhra Pradesh and Telangana)
- Hadaspar mandi(Pune)



2. Contracts/Alliances with national and multi-national fast food chains:

They encourage farmers to cultivate farm products (vegetables, fruits etc) of the desired quality by providing seeds and other inputs as well as assured procurement of the produce at pre-decided prices.

Such arrangements will help in reducing the price risks of farmers and would also expand the markets for farm products.

What is meant by 'Agricultural Diversification'?

Diversification is essential to provide extra profitable employment for the rural people to overcome poverty and to raise their level of income.



Indian Food Crops

Why is agricultural diversification essential for rural development in India?

OR

Explain the role of non-farm employment in rural economic development.

1. Risk reduction: -

It helps in overcoming the risks of the agricultural sector which may arise if there is a crop failure due to droughts or floods.

2. Increasing income:-

It provides an additional opportunity of employment and income generation; diversification helps in increasing income of rural people.

3. Seasonal Factor:-

Most of the agricultural employment opportunities in India are seasonal. Diversification helps in providing employment opportunities during this time.

4. Export booster: -

Changes in consumer diets drive agricultural diversification. Such diversification is also encouraged by the opening up of new export markets for horticulture, livestock and aquaculture products, etc.

What are the various methods of Agricultural Diversification?

1. Change in cropping pattern:

Farmers are shift from growing one crop to a multiple variety of crops. For example: from growing food crops to cash crops or commercial crops (like sugarcane, cotton, jute, oilseeds, etc.).



2. Shifting of labour-force from the farming to the non-farm sector:-

Increasing agricultural income is to diversify into non-farm areas like animal husbandry and dairying, fisheries, horticulture, agro-processing and food processing industries, etc.



Diversification of Productive Activities

ANIMAL HUSBANDRY

- ❖ Livestock production provides increased stability in income, food security, transport, fuel and nutrition for the rural households.
- ❖ Today, livestock sector alone provides alternative livelihood options to over 70 million small and marginal farmers including landless labourers
- ❖ Poultry accounts for the largest share with 58 percent.
- ❖ Milk production in India has increased by more than 8 times between 1951-2014, mainly due to the successful implementation of 'Operation Flood'.



FISHERIES

- ❖ The fishing community regards the water body as Mother or Provider.
- ❖ Presently fish production from inland sources contributes about 49% to the total fish production and the balance 51% comes from the marine sector.
- ❖ The states of Kerala, Gujarat, Maharashtra and Tamil Nadu are the major producers of marine products.
- ❖ The socio economic status of fisherman is comparatively lower because of rampant unemployment, lower per capita earning, high rate of illiteracy, indebtedness, and absence of mobility of labour.
- ❖ There is a need to raise credit facilities, cooperative and SHGs, cooperatives for fishermen to meet the working capital requirements for marketing.



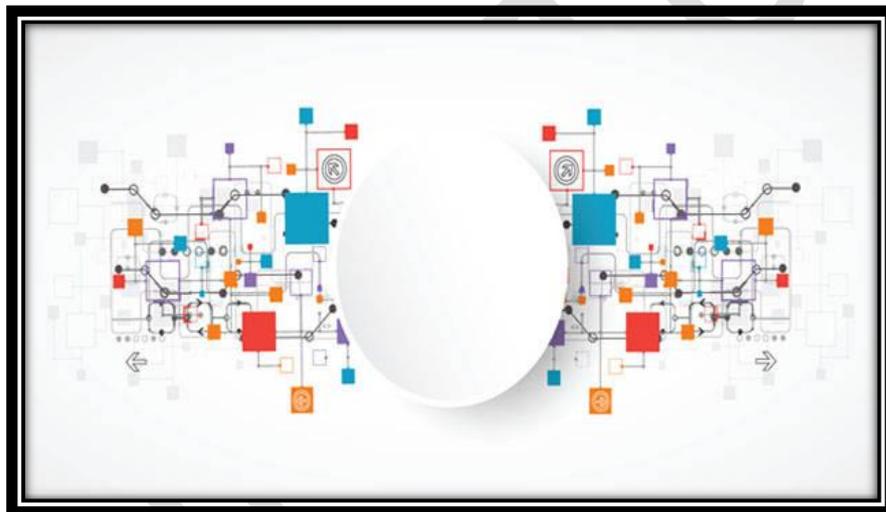
HORTICULTURE

- ❖ India has adopted growing of diverse horticulture crops such as fruits, vegetables, flowers, medicinal plants, etc.
- ❖ Horticulture sector contributes about 1/3rd of the value of agriculture output and 6% of the GDP of India.
- ❖ Thus, horticulture has emerged as a successful sustainable livelihood options and needs to be encouraged significantly.
- ❖ Enhancing its role requires investment in infrastructure like electricity, cold storage systems, marketing linkages, etc.



INFORMATION TECHNOLOGY

- ❖ Governments can **predict areas of food insecurity and vulnerability** using appropriate information and software tools so that action can be taken to prevent or reduce the likelihood of an emergency.
- ❖ IT also has a positive impact on the agriculture sector as it can **disseminate information regarding emerging technologies** and its applications, prices, weather and soil conditions for growing different crops, etc.
- ❖ IT also has potential of **employment generation in rural areas.** Experiments with IT and its application to rural development are carried out in different parts of India.



PROBLEMS AND SOLUTIONS OF NON-FARM ACTIVITY

a) Livestock-:

Though its numbers are quite impressive but its productivity is quite low as compared to other countries.

The solution is: promotion of good breeds of animals to raise productivity and improved veterinary care is essential.

b) Fisheries:-

Problems related to over fishing and pollution need to be solved.

The solution is:

1. Welfare programmes for the fishing communities and reorientation in a manner which can provide long term gains and sustenance of livelihood.
2. Pollution of water bodies needs to be controlled.

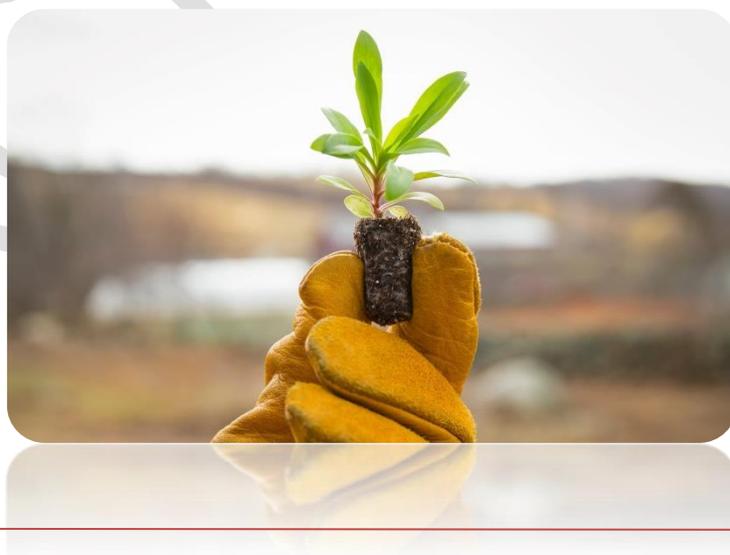
c) Horticulture:-

Problem is that of more investment in this sector.

The solution lies in more investment in infrastructure like: electricity, cold storage systems, and technical improvement.

What 'Organic Farming'? Explain its benefits and limitations. (6)

Organic farming is a system which avoids the use of synthetic inputs (such as chemical fertilisers, pesticides, hormones, food additives, etc.) and relies mainly on natural methods of farming (i.e., emphasizing the use of animal manures, off-farm organic waste, etc.), crop rotations, biological system of nutrient.



Explain the benefits of 'Organic Farming.'

1) Safety of environment:

The produce of organic farming is pesticides-free and is produced in an environmentally sustainable way.

2) Adding income through exports:

It generates income through international exports as demand for organically grown crops is on a rise.

3) Food Value:

It provides healthy food as organically grown food has more nutritional value than food grown through chemical farming.

4) Economical Farming:

Organic Farming offers a means to substitute costlier agricultural inputs (such as HYV seeds, chemical fertilizers, pesticides, etc.) with locally produced cheaper organic inputs.

5) Role in Employment generation:

Organic farming generates more employment opportunities as it requires more labour input than conventional farming.



Explain the challenges in 'Organic Farming.'

1. Shorter food life:

Organic produce has a shorter life as compared to sprayed produce.

2. Limited choice of crops:

The choice in production of off-season crops is quite limited in organic farming.

3. Involves Low Yield:

Organic farming has a lesser yield in the initial years as compared to modern agricultural farming. As a result, small and marginal farmers find it difficult to adapt to large-scale production.

4. Marketing facilities and infrastructure lacking:

Organic farming faces problems of inadequate infrastructure and marketing facilities.



IMPORTANT TERMS

1. **NABARD (National Bank for Agriculture and Rural Development)**

- set up in 1982
- as on apex body to coordinate the activities of all institutions involved in the rural financing system.

2. **RRBs (Regional rural banks)**

Provide adequate credit at cheaper rates.

3. **SHGs (Self-Help Groups)**

- Promote thrift in small proportions by a minimum contribution from each member, and from the pooled money, credit is given to the needy members to be repayable in small instalments at reasonable interest rates.
- Such credit provisions are referred to **micro-credit programmes.**

4. **MSP (Minimum Support Price)**

Assurance of minimum support price for agricultural products by the government.

5. **Organic farming**

A whole system of farming that restores, maintains and enhances the ecological balance.

6. **Operation flood –**

- System whereby all the farmers can pool their milk produce according to different grading (based on quality) and the same is processed and marketed to urban centres through cooperatives.
- In this system, the farmers are assured of a fair price and income from the supply of milk to urban markets.
- Milk production in India has increased by more than 8 times between 1951-2014. This can be attributed mainly to the successful implementation Operation Flood.

7. **Agricultural marketing**

A process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country.