

**INDIAN SCHOOL MUSCAT**  
**DEPARTMENT OF COMMERCE AND HUMANITIES**  
**INDIAN ECONOMIC DEVELOPMENT**  
**CLASS – XII**

**CHAPTER 6: RURAL DEVELOPMENT**

**INTRODUCTION**

Agriculture is the major source of livelihood in the rural sector. More than two-third of India's population depends on agriculture that is not productive enough to provide for them. Rural development is the centre of the overall development because one-third of rural India still lives in poverty.

**WHAT IS RURAL DEVELOPMENT?**

Rural development is a comprehensive term that focuses on action for the development of areas that are lagging behind in the overall development of the village economy.

Rural development in India include

- Development of human resources in terms of Literacy, female literacy, education and skill development, Health, both sanitation and public health
- Land reforms
- Development of the productive resources of rural areas
- Infrastructure development like electricity, irrigation, credit, marketing, transport, construction of village roads, facilities for agriculture research and extension, and information dissemination
- Alleviation of poverty and access to productive employment opportunities.

**HOW IS RURAL DEVELOPMENT POSSIBLE?**

- Farming communities have to be provided with means that help to increase the productivity of grains, cereals, vegetables and fruits.
- They also need to be given opportunities to diversify into various non-farm productive activities such as food processing.
- Giving them better and more affordable access to healthcare, sanitation facilities at workplaces and homes
- Education for all would also need to be given top importance for rapid rural development.

**WHAT ARE THE REASONS FOR POOR CONDITIONS IN RURAL AREAS AFTER 1991?**

- Although the share of agriculture sector's contribution to GDP has declined, the population dependent on this sector did not show any change.
- After the beginning of reforms, the growth rate of agriculture sector slowed to 2.3 percent per annum
- Decline in public investment since 1991 as the major reason for decreased growth
- Inadequate infrastructure, lack of alternate employment opportunities in the industry or service sector, increasing casualisation of employment has also reduced rural development.

**DEFINE RURAL CREDIT.**

Rural credit is the infusion of capital, from time to time, to realise higher productivity in agriculture and non-agriculture sectors.

**WHAT IS THE IMPORTANCE OF CREDIT IN RURAL DEVELOPMENT?**

As the time gestation between crop sowing and realisation of income is quite long, farmers borrow money to meet their initial investment on seeds, fertilisers, implements and other family expenses of marriage, death, religious ceremonies etc.

**WHAT IS CONDITION OF PROVISION OF RURAL CREDIT IN INDIA?**

- At independence, moneylenders and traders exploited small and marginal farmers and landless labourers by lending to them on high interest rates and by manipulating the accounts to keep them in a debt -trap.
- After 1969, India adopted social banking and multiagency approach to the needs of rural credit.

- The National Bank for Agriculture and Rural Development (NBARD) was set up in 1982 as an apex body to coordinate the rural credit activities
- The Green Revolution led to the diversification of the portfolio of rural credit towards production-oriented lending.
- Rural banking today consists of a set of multiagency institutions, namely Commercial banks, Regional rural banks (RRBs), Cooperatives and land development banks to distribute adequate credit at cheaper rates.
- Recently, Self-Help Groups (henceforth SHGs) have emerged to fill the gap in the formal credit system because credit needs to be fully integrated into the overall rural social and community development.

**WHAT ARE SELF HELP GROUPS (SHGs)? EXPLAIN THE ROLE OF SELF HELP GROUPS IN MEETING CREDIT REQUIREMENTS.**

SHGs promote thrift 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.

By March end 2003, more than seven lakh SHGs had reportedly been credit linked. Such credit provisions are generally referred to as micro-credit programmes. SHGs have helped in the empowerment of women but the borrowings are mainly confined to consumption purposes and negligible proportion is borrowed for agricultural purposes.

**CRITICALLY EVALUATE THE RURAL BANKING SYSTEM IN THE PROCESS OF RURAL DEVELOPMENT?**

- Rapid banking system had a positive effect on rural farm and non-farm output, income and employment, especially after the green revolution
- It has helped farmers to benefit from credit facilities and a variety of loans for meeting their production needs.
- This is largely because of the chronic underperformance of formal credit institutions and high incidence of overdue instalments by the farmers.
- With the possible exception of the commercial banks, other formal institutions have failed to develop a culture of deposit mobilization
- Agriculture loan default rates have been chronically high and most defaulters were 'wilful defaulters'
- Expansion and promotion of the rural banking sector has taken a backseat after reforms.
- Banks need to change their approach from just being lenders to building up relationship banking with the borrowers.

**WHAT DO YOU MEANT BY AGRICULTURAL MARKET SYSTEM?**

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

**MENTION SOME OBSTACLES THAT HINDER THE MECHANISM OF AGRICULTURAL MARKETING?**

- Before independence, farmers were selling their produce to traders and suffered from faulty weighing and manipulation of accounts.
- Farmers who did not have the required information on prices prevailing in markets were often forced to sell at low prices.
- They also did not have proper storage facilities to keep back their produce for selling later at a better price.
- Moneylenders, rural political elites, big merchants and rich farmers) predominates agricultural markets

**EXPLAIN THE MEASURES TAKEN BY THE GOVERNMENT TO IMPROVE AGRICULTURAL MARKETING?**

- The first step was regulation of markets to create orderly and transparent marketing conditions.
- Second component is provision of physical infrastructure facilities like roads railways, warehouses, godowns, cold storages and processing units.

- Cooperative marketing, in realising fair prices for farmers' products, is the third aspect of government initiative.
- The fourth element is the policy instruments like (i) assurance of minimum support prices (MSP) for 24 agricultural products (ii) maintenance of buffer stocks of wheat and rice by Food Corporation of India and (iii) distribution of food grains and sugar through PDS.

**WHAT ARE THE ALTERNATIVE CHANNELS AVAILABLE FOR AGRICULTURAL MARKETING? GIVE EXAMPLES.**

- It has been realised that if farmers directly sell their produce to consumers, it increases their share in the price paid by the consumers. Some examples of these channels are Apni Mandi (Punjab, Haryana, Rajasthan); Hadapsar Mandi (Pune); Rythu Bazars (vegetable and fruit market in Andhra Pradesh) and Uzhavar Sandies (farmers markets in Tamil Nadu).
- Several national and multinational fast food chains are increasingly entering into contracts/alliances with farmers to encourage them to cultivate farm products (vegetables, fruits, etc.) of the desired quality by providing them with not only seeds and other inputs but also assured procurement of the produce at pre-decided prices.

**WHY IS AGRICULTURAL DIVERSIFICATION ESSENTIAL FOR SUSTAINABLE LIVELIHOODS?**

- Diversification includes two aspects: one relates to diversification of crop production and the other relates to a shift of workforce from agriculture to other allied activities (livestock, poultry, fisheries etc.) and non-agriculture sector.
- The need for diversification arises from the fact that there is greater risk in depending exclusively on farming for livelihood. Diversification towards new areas is necessary not only to reduce the risk from agriculture sector but also to provide productive sustainable livelihood options to rural people.
- Expansion into other sectors is essential to provide supplementary gainful employment and in realising higher levels of income for rural people to overcome poverty and other tribulations.
- Agriculture is already overcrowded; a major proportion of the increasing labour force needs to find alternate employment opportunities in other non-farm sectors.
- Non-farm economy has dynamic linkages that permit healthy growth. The dynamic sub-sectors include agro-processing industries, food processing industries, leather industry, tourism, etc.
- Though majority of rural women find employment in agriculture with men looking for non-farm employment, in recent times, women have also begun to look for non farm job.

**BRING OUT THE IMPORTANCE OF ANIMAL HUSBANDRY, FISHERIES AND HORTICULTURE AS A SOURCE OF DIVERSIFICATION.**

**ANIMAL HUSBANDRY:**

- The farming community uses the mixed crop-livestock farming system cattle, goats, fowl are the widely held species.
- Livestock production provides increased stability in income, food security, transport, fuel and nutrition for the family without disrupting other food-producing activities.
- Livestock sector alone provides alternate livelihood options to over 70 million small and marginal farmers including landless labourers.
- A significant number of women also find employment in the livestock sector.
- Poultry accounts for the largest share with 58 per cent followed by others.
- Performance of the Indian dairy sector over the last three decades has been quite impressive. Milk production in the country has increased by more than four times due to the successful implementation of 'Operation Flood'
- Meat, eggs, wool and other by-products are also emerging as important productive sectors for diversification.
- Livestock population is quite impressive but its productivity is quite low as compared to other countries. It requires improved technology and promotion of good breeds of animals to enhance productivity

## **FISHERIES:**

- The water bodies consisting of sea, oceans, rivers, lakes, natural aquatic ponds, streams etc. are, therefore, an integral and life-giving source for the fishing community.
- Fish production from inland sources contributes about 64 per cent to the total fish production and the balance 36 per cent comes from the marine sector (sea and oceans).
- Total fish production accounts for 0.8 per cent of the total GDP. Among states, Kerala, Gujarat, Maharashtra and Tamil Nadu are the major producers of marine products.
- Rampant underemployment, low per capita earnings, absence of mobility of labour to other sectors and a high rate of illiteracy and indebtedness are some of the major problems faced by these communities.
- There is a need to increase credit facilities -cooperatives and SHGs - for fisherwomen to meet the working capital requirements for marketing.

## **HORTICULTURE:**

- India has adopted growing of diverse horticultural crops such as fruits, vegetables, tuber crops, flowers, medicinal and aromatic plants, spices and plantation crops.
- These crops play a vital role in providing food and nutrition, besides addressing employment concerns.
- The period between 1991-2003 is also called an effort to heralding a 'Golden Revolution' because during this period, the planned investment in horticulture became highly productive and the sector emerged as a sustainable livelihood option.
- India has emerged as a world leader in producing a variety of fruits like mangoes, bananas, coconuts, cashew nuts and a number of spices and is the second largest producer of fruits and vegetables.
- Flower harvesting, nursery maintenance, hybrid seed production and tissue culture, propagation of fruits and flowers and food processing are highly remunerative employment options for women in rural areas. It has been estimated that this sector provides employment to around 19 per cent of the total labour force.

## **EXPLAIN THE ROLE OF INFORMATION TECHNOLOGY IN ACHIEVING SUSTAINABLE DEVELOPMENT AND FOOD SECURITY**

- IT has revolutionised many sectors in the Indian economy and IT will play a critical role in achieving sustainable development and food security in the twenty-first century.
- The ability of governments to 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 disseminates information regarding emerging technologies and its applications, prices, weather and soil conditions for growing different crops etc.
- IT has ushered in a knowledge economy that is a thousand times more powerful than the industrial revolution. Though IT is, by itself, no catalyst of change but it can act as a tool for releasing the creative potential and knowledge. It also has potential of employment generation in rural areas.

## **WHAT IS ORGANIC FARMING? HOW DOES IT PROMOTE SUSTAINABLE DEVELOPMENT?**

- Organic agriculture is a whole system of farming that restores, maintains and enhances the ecological balance.
- Conventional agriculture relies heavily on chemical fertilisers and toxic pesticides etc., which enter the food supply, penetrate the water sources, harm the livestock, deplete the soil and devastate natural eco-systems
- Efforts in evolving technologies which are eco-friendly are essential for sustainable development and one such technology which is eco- friendly is organic farming.
- There is an increasing demand for organically grown food to enhance food safety throughout the world.

## **LIST THE BENEFITS AND LIMITATIONS OF ORGANIC FARMING**

### **BENEFITS:**

- Organic agriculture offers a means to substitute costlier agricultural inputs (such as HYV seeds, chemical fertilisers, pesticides etc.) with locally produced organic inputs that are cheaper and thereby generate good returns on investment.
- Organic agriculture also generates incomes through international exports as the demand for organically grown crops is on a rise.
- Organically grown food has more nutritional value than chemical farming thus providing us with healthy foods.
- Organic farming requires more labour input than conventional farming, India will find organic farming an attractive proposition.
- The produce is pesticide-free and produced in an environmentally sustainable way.

### **LIMITATIONS:**

- Popularising organic farming requires awareness and willingness on the part of farmers to adapt to new technology.
- Inadequate infrastructure and the problem of marketing the products are major concerns which need to be addressed apart from an appropriate agriculture policy to promote organic farming.
- The yields from organic farming are less than modern agricultural farming in the initial years. Therefore, small and marginal farmers may find it difficult to adapt to large-scale production.
- Organic produce may also have more blemishes and a shorter shelf life than sprayed produce.
- Choice in production of off-season crops is quite limited in organic farming.

### **REVIEW QUESTIONS**

1. What do you mean by rural development? Bring out the key issues in rural development.
2. Discuss the importance of credit in rural development.
3. Explain the role of micro-credit in meeting credit requirements of the poor.
4. Explain the steps taken by the government in developing rural markets.
5. Why is agricultural diversification essential for sustainable livelihoods?
6. Critically evaluate the role of the rural banking system in the process of rural development in India.
7. What do you mean by agricultural marketing?
8. Mention some obstacles that hinder the mechanism of agricultural marketing.
9. What are the alternative channels available for agricultural marketing? Give some examples.
10. Explain the term 'Golden Revolution'.
11. Explain four measures taken by the government to improve agricultural marketing.
12. Explain the role of non-farm employment in promoting rural diversification.
13. Bring out the importance of animal husbandry, fisheries and horticulture as a source of diversification.
14. 'Information technology plays a very significant role in achieving sustainable development and food security' - comment.
15. What is organic farming and how does it promote sustainable development?
16. Identify the benefits and limitations of organic farming.
17. Enlist some problems faced by farmers during the initial years of organic farming.