

ECONOMICS

CLASS XI

CHAPTER FIVE

RURAL DEVELOPMENT

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CHAPTER 5 - RURAL DEVELOPMENT

1. What do you mean by rural development? Bring out the key issues in rural development.

Rural development focuses on the social and economic development of rural areas. These programmes help to accelerate the growth and development of rural areas, which ultimately helps in the development of the country. The key issues that need to get highlighted are as follows:

1. The focus should be on creating human resources or, in other words, human capital by providing support in education, vocational skills, good healthcare facilities and job training.
2. Alternative sources of employment should be generated so as to address the issue of unemployment or disguised unemployment, and the development of alternative sources will reduce the burden on agriculture.
3. Infrastructure development is essential as it supports other growth initiatives. These developments can include the creation of banks, transport, electricity and means of irrigation.
4. Land reforms should be undertaken with the help of modern techniques, which increase overall production.
5. Poverty removal should be one of the focus points of rural development. It gives rise to many associated issues like unemployment, poor quality of human capital, social inequality etc.

2. Discuss the importance of credit in rural development.

Credit plays an important role in rural development. Farmers in rural areas have lower incomes and, accordingly, lower savings. Therefore, it results in less productivity. Banks also prefer paying loans to farmers having a good earning. Those farmers that are small or marginal take loans from moneylenders and fall into a trap. Credit infusion is very much essential for the agricultural sector in

order to usher in rural development. The importance of credit can be as shown below:

1. It helps modernise farming by getting access to the latest tools through credit.
2. There exists a long time between sowing and harvesting. It is known as the gestation period. In this period, farmers need financial support to meet the requirements of farming, like seeds.
3. It helps farmers from poverty and provides funds for sustenance.
4. Agriculture is dependent primarily on weather and season. During a bad season, there is a possibility of crop failure, which is detrimental to farmers. In that case, credit and crop insurance help recover the cost.

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

Credit offered to the poor through the SHGs (Self Help Groups) and non-governmental organisations are known as microfinance organisations, and they offer micro-credit. The SHGs play a significant role in meeting the credit requirements of the poor and also encourage savings among the rural people. Money is pooled from the individual accounts of many farmers to finance the requirements of members. Finance made from SHGs reduces the cost of transactions for borrowers and lenders. The National Bank for Agricultural and Rural Development (NABARD) provides loan/credit at reduced rates. This type of finance is becoming the preferred choice for small farmers due to the ease of credit and faster disbursal.

4. Explain the steps taken by the government in developing rural markets.

The Steps taken by the Indian Government to develop rural markets are listed below:

1. The concept of regulated markets was introduced, where a market committee regulated the sale and purchase of products. This committee consisted of farmers, traders and government agents. Using proper scales and weights, the marketing system introduced greater transparency and ensured that farmers received good prices for their products.

2. The government introduced cold storage and warehouses, where farmers to sell products in the market when an attractive price can be obtained. Railways also offered transport facilities for selling products to the city market and earning good profit.
3. The government started cooperative marketing to make farmers get access to fair price policies. Farmers get better bargains for sale in the market.
4. MSP or Minimum Support Policy determines a price that a farmer may charge in exchange for his products in the open market. The policy of MSP protects a farmer in case there is a fall in price. It is especially beneficial as farming in India is prone to uncertainties.

5. Why is agricultural diversification essential for sustainable livelihoods?

Agricultural diversification refers to the diversity in crop production and allocating of the agricultural workforce in other allied activities such as fisheries, poultry and livestock, also in the non-agriculture sector. The following points explain the importance of agricultural diversification:

1. Indian farmers are dependent on monsoon for farming which is risky, so diversification enables farmers to earn more from occupations that are non-agricultural.
2. While there are a lot of farming opportunities in the Kharif season, the Rabi season brings with it difficulties in irrigation which makes employment less, diversification helps by providing an alternative source of income.
3. Agriculture as a job-providing proposition is already saturated and is unable to generate further employment; therefore, non-agricultural sectors can be explored as a potential source of revenue.
4. Due to possessing dynamic linkages, several non-farm sectors help in enhancing economic growth.

6. Critically evaluate the role of the rural banking system in the process of rural development in India.

After the nationalisation of banks took place in 1969, rural banking grew a lot. This has helped in rural development in the following ways:

1. It helped increase farm and non-farm output by supplying credit facilities to customers.
2. Provided long-term loans with better repayment options. It helped dependency on moneylenders.
3. Achieving food security by the production of food grains in abundance.
4. Assisting self-employment schemes in rural areas to generate credit.

7. What do you mean by agricultural marketing?

Agricultural marketing refers to the services that are involved in the movement of an agricultural product from the farm to the consumer. It includes planning, organising, directing and handling products in a way to satisfy farmers, intermediaries and, finally, the customer.

The steps involved in agricultural marketing are as follows:

1. Collecting the product after harvesting
2. Processing the collected product
3. Grading of the product as per the quality standards
4. Packing the product
5. Storage of the product for future use
6. Sale of product in the market at the best price

8. Mention some obstacles that hinder the mechanism of agricultural marketing.

Obstacles that hinder the mechanism of agricultural marketing are as follows:

1. Inadequate storage spaces or warehouses
2. Multiple middlemen eating into profits
3. Malpractices present in unregulated markets
4. Lack of a proper weighing, grading and standardisation system

5. No scope of finance
6. Lack of proper market information
7. Transport and communication are not that developed.

9. What are the alternative channels available for agricultural marketing? Give some examples.

The small and marginal farmers were the ones who were selling their products by taking the help of middlemen and losing profits to those middlemen. They were not receiving appropriate prices for their products. Hence, it led to the creation of an alternative channel. The features of these channels were that farmers could sell directly to consumers and get a higher price in comparison to selling through middlemen. Some of these examples are Hadapsar Mandi in Pune, Uzhavar Sandies in Tamil Nadu, Rythu Bazars in Andhra Pradesh and Telangana and Apni Mandi in Punjab, Haryana and Rajasthan. Apart from this, another alternative channel was the sale of produce to national and international companies on a contract basis. Payments were made in advance for products at pre-determined rates. The use of these channels helped farmers in raising income.

10. Distinguish between the ‘Green Revolution’ and the ‘Golden Revolution’

Green Revolution	Golden Revolution
Using High Yielding Variety (HYV) seeds along with fertilisers and better irrigation facilities resulted in significant production of rice and wheat. This is known as Green Revolution.	Golden revolution is referred to as the rapid growth of horticultural crops such as vegetables, fruits, flowers and tuber crops in India.
Rice and wheat production increased substantially during this phase	A phenomenal rise in the production of aromatic plants, spices, vegetables and fruits was observed during this phase.

India achieved self-sufficiency in producing wheat and rice.

India became a world leader in producing banana, mango, spices and coconut.

11. Do you think the various measures taken by the government to improve agricultural marketing are sufficient? Discuss.

To improve the system of agricultural marketing, the government came up with a variety of measures which are as follows:

1. Regulated markets organisation.
2. Minimum Support Price Policy
3. Development of cold storage, warehouses
4. Agriculture-themed programmes which were aired on radio and television

After all these initiatives, the system was successful in parts. Following are some of the obstacles that prevented a successful agricultural marketing system:

1. Farmers do not have a knowledge of market prices and market conditions, which leads to the sale of produce at a price lower than expected.
2. Insufficient storage spaces make farmers sell their produce at low rates.
3. Lack of availability of transportation makes farmers unable to reach new markets.
4. A large number of intermediaries are involved, which reduces customer interaction, and farmers get paid less.
5. Farmers become easy targets of false weighing techniques.
6. Lack of institutional credit forces farmers to borrow from moneylenders at a high-interest rate.

12. Explain the role of non-farm employment in promoting rural diversification.

India as a country is mainly dependent on agricultural produce, and most of the population in rural areas is engaged in farming. Due to saturation in the

agriculture field, the demand for non-farm activities has increased extensively. The agricultural industry is plagued by the problem of disguised unemployment. The non-farm sectors are less risky as compared to agriculture and also provide a proper livelihood for the rural people. Industries like agro-processing, leather, food processing, leather and the tourism industry are some of the dynamic sub-sectors where employment can be generated. There are other sectors which lack infrastructure and support, like pottery, handloom and crafts. Therefore, men and women from rural areas are seeking employment opportunities in these industries, which is a sign of rural diversification.

13. Bring out the importance of animal husbandry, fisheries and horticulture as a source of diversification.

Animal Husbandry

Animal husbandry contributes to non-farm employment in a significant way. Rural families opt for the rearing and sale of cattle and poultry in addition to farming. The farmers living in semi-arid and arid areas are mostly involved in livestock farming. In India, approximately 70 million people earn their income through livestock farming. The most important products obtained from livestock farming are milk, meat and eggs and also as products like skin which can be used to make leather items.

Fisheries

Fisheries form an important source of income for states in the coastal region such as Maharashtra, Kerala, Gujarat, Andhra Pradesh and Tamil Nadu. Fishing is primarily based on inland water bodies like rivers, ponds, fisheries and marine water bodies such as the sea. Funds have been allotted to this sector for improving production. Still, this segment has not contributed much towards GDP.

Horticulture

Horticulture is also one of the most important sources of livelihood in rural India. This includes fruits, vegetables, aromatic plants, flowers and medicinal plants. India is the second largest producer of fruits and vegetables. A rise in income levels has been witnessed in families engaged in horticulture. Horticulture generates around 19% of the total labour force in India.

14. ‘Information technology plays a very significant role in achieving sustainable development and food security’ — comment.

Information technology (IT) plays a significant role in agriculture and helps in achieving sustainable development. It enables data storage associated with past and future conditions providing vital inputs for making decisions and also for taking various corrective measures necessary for the improvement of crop production. Weather and soil conditions can be determined with the help of information technology for improving crop productivity, and as such, if there is a chance of crop failure, it can be prevented using the information obtained from IT. It is possible for farmers to connect to Kishan Call Centers for any doubt regarding agriculture, it also helps in generating employment in rural areas in the form of kiosks. These kiosks serve as the source of information for improving productivity, better land usage, fertilisers, quality of seeds and other modern techniques that are required for agriculture. Hence, we can say that agriculture plays a significant role in achieving sustainable development.

15. What is organic farming, and how does it promote sustainable development?

Organic farming is a form of farming that puts an emphasis on preserving and enhancing the ecological balance. This type of farming uses organic inputs for cultivating crops. Traditional farming techniques use fertilisers and pesticides, which cause damage to the ecosystem. In organic farming, toxic-free agricultural products are produced while maintaining the fertility of the soil and contributing towards creating ecological balance.

16. Identify the benefits and limitations of organic farming.

Benefits of Organic Farming

1. Organic farming does not use harmful chemicals, so it is not harmful to the environment.
2. Chemical fertilisers cause the soil to lose its fertility after a period, whereas organic farming preserves soil fertility.
3. Crops that are grown organically have higher nutritional value as compared to standard-grown crops.
4. It is an inexpensive mode of farming suitable for small and marginal farmers.

5. International markets have a higher demand for organically produced crops.

Limitations of Organic Farming

1. Organic farming has a lesser yield than the yield obtained from conventional farming using fertilisers, hence less productivity.

2. As organic farming has low productivity, it is not popular amongst farmers.

3. Marketing of products and inadequate infrastructure are some concerns that need to be addressed.

4. Due to low yield, it is not seen as a financially viable option for small and marginal farmers.

17. Enlist some problems faced by farmers during the initial years of organic farming.

It was observed during the initial years of organic farming that the yield produced was lesser than in modern farming. Due to this reason, the farmers were unable to take large-scale production. As it was having low yield per hectare, it was not seen as financially viable for small and marginal farmers. The organically produced varieties are perishable and have a short shelf life, and the choice of crops during the off-season is limited in the case of organic farming.

FILL IN THE BLANKS

1. Defective education system causes_____ unemployment.
(**educated**)

2. Unemployment during the off season is called_____
(**seasonal**)

3. Disguised employed labors has_____ marginal productivity.
(**zero**)

4. Unemployment during recession is called_____unemployment.
(**cyclical**)

5. Employment Guarantee scheme was launched in the state of _____
(**Maharashtra**)

MCQS QUESTION AND ANSWERS

1. Which of these is not an objective of rural development?
- a. To improve wages for the urban population
 - b. To work on removing unemployment in rural areas
 - c. To enhance the living standards of rural people
 - d. To improve wages for the rural population

Answer: a

2. Initiatives for implementing rural development include _____.
- a. Improving public health
 - b. Setting up facilities for agricultural research
 - c. Infrastructure development in rural areas
 - d. All of the above

Answer: d

3. When was the National Bank for Agriculture and Rural Development (NABARD) set up?
- a. 1969
 - b. 1975
 - c. 1982
 - d. 1991

Answer: c

4. Which of the following are institutional sources of rural credit?
- a. Regional rural banks
 - b. Landlords
 - c. Traders
 - d. Moneylenders

Answer: a

5. _____ help integrate formal credit systems into rural societies.

- a. Land development banks
- b. Self-help groups
- c. Regional rural banks
- d. Commercial banks

Answer: b

6. The process of assembling, storage, grading, packaging and distribution of different agricultural products is known as _____.

- a. Agricultural marketing
- b. Agricultural diversification
- c. Agricultural management
- d. Agricultural banking

Answer: a

7. Which of these programs were initiated by the Government of India for rural development?

- a. National Rural Livelihood Mission
- b. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
- c. Pradhan Mantri Gram Sadak Yojna
- d. All of the above

Answer: d

8. Which of the following are non-institutional sources of rural credit?

- a. Regional rural banks
- b. Moneylenders
- c. Commercial banks
- d. None of the above

Answer: b

9. The apex funding agency in India for providing rural credit is _____.

- a. State Bank of India
- b. Regional rural banks
- c. National Bank for Agriculture and Rural Development (NABARD)
- d. None of the above

Answer: c

10. Self-help groups offer credit to rural households _____.

- e. At a moderate rate of interest
- f. Without collateral
- g. Both a and b are incorrect
- h. Both a and b are correct

Answer: d

10. Alternative marketing channels help farmers _____ their market and _____ their price risk.

- a. Expand, expand
- b. Reduce, reduce
- c. Expand, reduce
- d. Reduce, expand

Answer: c

11. _____ is a promise to farmers that the government would buy their produce at a particular price.

- a. Maximum Retail Price
- b. Minimum Support Price
- c. Both a and b are correct
- d. Both a and b are incorrect

Answer: b

12. _____ is a financial intermediary committee in villages with 10-20 people.

- a. National Bank for Agriculture and Rural Development (NABARD)
- b. Microcredit program
- c. Self-help group
- d. None of the above

Answer: c

13. The problems faced by agricultural markets in rural areas are _____.

- a. Malpractice in unregulated markets
- b. Lack of storage facilities

- c. Lack of adequate finance
- d. All of the above

Answer: d

14. Microcredit Program is defined as _____.

- a. Credit provision made by self-help groups to their members
- b. Credit provision made by small farmers
- c. Credit provision made by large farmers
- d. None of the above

Answer: a