

## **Chapter 14: RURAL DEVELOPMENT**

### **Learning Objectives**

- Introduction
- Meaning of Rural Development
- Process of Rural Development
- Rural Credit
- Need for Rural Credit or Agricultural finance
  - On the basis of time
  - On the basis of purpose
- Sources of Rural Credit
  - Non Institutional Sources
  - Institutional Sources
- Critical Appraisal of Rural Banking
- Agricultural Market system
  - Measures to improve agricultural marketing
  - Defects of Agricultural marketing in India
  - Remedial measures for Improvement of Agricultural marketing
  - Emerging Alternate Marketing Channels
- Diversification of Agricultural activities
  - Diversification of Crop production
  - Diversification of productive of activities
- Sustainable Development and Organic Farming
  - Meaning of Organic Farming
  - Benefits of Organic Farming
  - Challenges before Organic farming
- Evaluation of Rural Development

### **1 Mark Question**

1 Q) What do you mean by Rural Development?

Ans: Rural Development is a continuous comprehensive socio-economic process, attempting to improve all aspects of rural life.

2 Q) What is agricultural diversification essential for sustainable livelihood?

Ans: Agricultural diversification is essential for rural people to generate supplementary gainful employment and realizing higher level of income.

3 Q) What is cooperative marketing?

Ans: Cooperative marketing refers to a system in which marketing societies are formed by farmers to sell the output collectively and to take advantage of collective bargaining

4 Q) What do you mean by agricultural marketing?

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

5 Q) What are the 2 aspects of diversification of activities?

Ans: Diversification includes 2 aspects

- i. Diversification of crop production
- ii. Diversification of productive activities (Shift of workplace from agricultural to other allied activities and non-agricultural sector)

6 Q) Classify rural credit on base of time

Ans: On the basis time, rural credit can be classified as: short-term credit, medium-term credit and long-term credit

7 Q) Which is the apex institution in rural financing?

Ans: National Bank for Agricultural and Rural Development (NABARD), established in 1982.

8 Q) Name three institutional sources of agricultural credit

Ans: 3 institutional sources of agricultural credit are:

- i. Cooperative Credit Societies
- ii. Commercial Banks
- iii. Regional Rural Banks

9 Q) What is distress Sale?

Ans: It refers to a sale in which farmers are forced to sell their surplus produce to the money lenders or traders at lower price.

10 Q) What is organic farming?

Ans: Organic farming is a production system that sustains the health of soils, ecosystem and people. It relies on ecological processes bio diversity and cycles adapted to a local conditions, rather than the use of inputs with adverse effects.

11 Q) What is Micro-finance?

Ans: Micro finance is a credit scheme extended to the poor through Self Help Groups (SGHs)

12 Q) Why have Self Help Groups (SGHs) been set up?

Ans: The Self-Help Groups (SGHs) have been set up to promote thrift in small proportions by a minimum contribution from each member. From the pooled money, credit is given to the needy numbers to be repayable in small installments at reasonable interest rates.

13 Q) What is meant by Operation flood?

Ans: Operation flood is a system, whereby all the farmers can pool their milk produce according to different grading and the same is processed and marketed to urban centers through cooperatives.

14 Q) Give any one limitation of Organic farming?

Ans: Yields from Organic farming are less than modern farming.

15 Q) Why is minimum support price (MSP) fixed by the government?

Ans: Minimum support price is fixed by the govt. to safe guard the interest of farmers.

16 Q) Why do people seek employment in non-farm sectors?

Ans: People seek employment in non-farm sectors as agriculture is already over-crowded and cannot offer additional employment.

17 Q) What is the share of total fish production in the total GDP in the year 2005-06?

Ans: 1.4 percent

18 Q) State one advantage of organic farming

Ans: Organic farming requires cheaper agricultural inputs

19 Q) Why is the period of 1991-2003 is known as period of Golden Revolution?

Ans: The period of 1991-2003 is known as Golden Revolution because during this period, the planned investment in horticulture became highly productive and the sector emerged as a sustainable livelihood option.

20 Q) What is the main function of co-operative marketing societies.

Ans: The main function is to improve agricultural marketing.

21 Q) What is Rural Development?

Ans: 1. Rural Development is a continuous and comprehensive Socio Economic process, attempting to improve all aspects of rural life.

2. It aims at improving the economic & Social Conditions of the people living in villages.

3. The rural development includes development in human resource, infrastructure and reforms, removal of poverty and development of productive resources to improve employment.

### **Rural Credit**

1. Rural Credit means provision of loans specially in production for agriculture and non-agricultural sectors.
2. Credit facilities in the rural areas have contributed a large increase in agricultural productivity and employment facilities in non-agricultural sectors.

3. The loans have provided in rural areas to the farmers in order to purchase machineries agricultural implements etc.
4. The government had also provided long term loans which can be repaid in 15 to 20 years for improvement of the land, digging tubewells purchase of tractors etc.
5. There are some loans which are provided to farmers to celebrate religious ceremonies, marriages for settlements of old loans and to support the family in case of a crop failure. These loans are called as unproductive loans.

### **Sources of Rural Credit**

Rural Credit availability can be broadly classified into 2 categories:

1. **Non-institution Sources:** - These are the traditional sources of agricultural credit in India. They include money lenders, relatives, traders, commission agents and land lords.
2. **Institutional Sources:** - They are cooperative credit, land development banks, commercial banks, regional rural banks, govt., national bank for agricultural and rural development (NABARD) and also self-help groups.

### **Agricultural Marketing System**

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

### **Measures to Improve Agricultural Marketing**

After Independent govt. has adopted various measures to improve of the system of agricultural marketing in the country.

It has brought about following measures in order to regulate the markets:-

1. **Regulated Markets:-** The first measure was regulation of markets, to create orderly and transparent marketing condition. This is organized in order to protect farmers from malpractices of sellers and brokers.
2. **Cooperative Marketing:-** Marketing societies are formed by farmers to sell the output collectively and to take advantages of collective bargaining, for obtaining a better price. Cooperatives are not functioning properly in a recent past due to inadequate coverage of farmer members and processing cooperatives and also inefficient management.
3. **Infrastructural facilities:-** Govt. had also provided infrastructural facilities like roads, railways, warehousing, cold storage and processing units.
4. **Standardization and Grading:-** Grading And quality control helps farmers to get good price for quality products produced by them.
5. **Minimum Support Price:-** To safeguard the Interest of the farmers government fixes the minimum support price for agricultural products like wheat, rice, maize, cotton, sugarcane, pulses etc. the government willingly will buy any amount of grains from the farmers at a price

higher than the market price in order to help them recover their loss. This is normally done by good cooperation of India & the Government in turn will supply these products in public distribution system against BPL & APL card.

### **Defects of Agricultural Market in India**

The existing system of Agricultural marketing has no. of defects the following are some of the defects due to which the marketing system is not properly organized.

1. Lack of storage facility for food grain and crops has damaged the products either by rats or insects or due to rain.
2. Distress Sale: Most Indian farmers are poor and they have no capacity to wait for better price. They sell the commodities at whatever the price available immediately. As a result they go for distress sale of their output, to the village money lenders or traders for poor price.
3. Lack of transportation as a result farmer cannot reach nearly mandhis to sell their produce at a fair price.
4. Long chain of middleman or intermediaries between the cultivator and the consumer will also reduce the profit of the producer.
5. There are also other defects like lack of institutional finance, lack of guiding etc.. This makes Indian marketing system disorganized.

### **Remedial measures for improvement of agricultural marketing**

Following are some of the measures to improve the system agricultural marketing in the country.

1. Extension of storage facilities at the farm level and storage and warehousing facilities in the markets and consumption centers.
2. Establishments of regulated markets.
3. Improvement of transport facilities between the village and the mandhis.
4. Establishment of cooperation marketing societies.
5. Provision of cheap credit, especially from institutional sources.
6. Provision for grading of the produce to ensure good quality to the consumers and better prices for the producers.
7. Prompt supply of marketing information.

### **Diversification of Agricultural Activity**

1. This means the excess of people in agriculture can be given gainful employment in some other allied activities in agriculture and non-farm activities. This is done in order to overcome poverty, improve employment and make rural agricultural people fully employed.
2. Diversification includes 2 aspects.
  - a. **Diversification of crop production:-** This involves shift from single cropping system to multiple cropping system. This also involves shifting cropping pattern

from food grains to cash crops. The main aim is to promote shift from subsistence farming to commercial farming.

- b. **Diversification of Productive Activities:-** As agricultural is already overcrowded the major portion of the increasing labour force needs to find alternate employment opportunities in other non-farm sectors. This will provide alternate sustainable livelihood and would raise the level of income.

Some of the non- form activities are:-

Animal husbandry and dairy farming, fishers, horticulture, agro processing industries, food processing industries leather industry, tourism etc. these sectors which have the potential but they lack infrastructure and other financial support.

Q2. Explain the increasing role of IT Industries in the development of agriculture?

1. Information Technology has revolutionized many sectors in Indian economy. There is a broad agreement that IT will play critical role in achieving sustainable development and food security in the 20<sup>th</sup> century.
2. Through proper information and software tools, govt has been able to predict area of food insecurity and vulnerability to prevent or reduce the livelihood of an emergency.
3. It also has a posture impact on the agricultural sector as it circulate information regarding technologies and its application prices, weather and soil condition for growing different crops.
4. This has increased the knowledge about agriculture.
5. The aim for increasing the role of information technology is to make every village a knowledge Centre, where IT provides a sustainable option of employment and livelihood.

### **Sustainable Development**

Meaning:- It is the development which aims to develop the present generation without effecting the quality of life of future generation.

Sustainable development does not prohibit the use of any resources, but aims to restrict their use in such a way it is left for the future generation.

### **Meaning of Organic Farming**

1. Organic farming is the process of producing food naturally.
2. This method avoids the use of synthetic chemical fertilizers and genetically modified organisms.
3. It is very eco-friendly and very essential for sustainable development. It has a zero impact on environment.

### **Advantages of Organic Farming**

1. It substitutes costlier agricultural inputs such as HYV seed, Chemical fertilizers, pesticides etc. locally produced organic inputs, which are cheaper and thereby generate good returns on Investments.
2. It generates income through export as the demand, for organically grown crops are on the raise.
3. It provides healthy food as organically grown food has more nutritional value than food grown through chemical farming.
4. It can provide more employment opportunities in India as it requires more labourers for production than chemically produced goods.
5. Organic food is a pesticide free and is produced in an environmentally sustainable way.

### **Disadvantages of Organic Farming**

A Demerits or challenges before organic farming

1. Organic farming needs to be popularized by creating awareness and willingness on the part of the farmers for adoption of new methods.
2. There is no proper infrastructure and marketing facilities for these products alone. An appropriate agricultural policy should be brought in for organic farming.
3. The fields 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.