



“शिक्षा मानव को बन्धनों से मुक्त करती है और आज के युग में तो यह लोकतन्त्र की भावना का आधार भी है। जन्म तथा अन्य कारणों से उत्पन्न जाति एवं वर्गगत विषमताओं को दूर करते हुए मनुष्य को इन सबसे ऊपर उठाती है।”

– इन्दिरा गाँधी



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“Education is a liberating force, and in our age it is also a democratising force, cutting across the barriers of caste and class, smoothing out inequalities imposed by birth and other circumstances.”

– Indira Gandhi

Block

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RURAL DEVELOPMENT IN INDIA

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ORIGINAL PROGRAMME DESIGN COMMITTEE

Prof. Amita Shah
Gujarat Institute of Development Research
Ahmedabad
Prof. S. K. Bhati
Jamia Millia Islamia University, New Delhi
Prof. J. S. Gandhi (Rtd)
Jawaharlal Nehru University, New Delhi
Prof. Gopal Krishnan (Rtd)
Punjab University, Chandigarh
Prof. S. Janakrajan (Rtd)
Madras Institute of Development Studies Chennai.
Prof. Kumar B. Das
Utkal University, Bhubaneswar
Prof. Nadeem Mohsin (Rtd)
A.N.Sinha Institute of Social Sciences, Patna

Prof. P. Radhakrishnan
Madras Institute of Development Studies, Chennai
Prof. Ramashray Roy (Rtd)
Centre for Study of Developing Societies
New Delhi
Prof. R. P. Singh (Rtd)
Ex-Vice-Chancellor, MPUAT, Udaipur
Prof. K. Vijayaraghavan
Indian Agriculture Research Institute, New Delhi
Dr. Nilima Shrivastava, IGONU, New Delhi
Prof. B. K. Pattanaik, IGNOU, New Delhi
Dr. Nehal A. Farooquee, IGNOU, New Delhi
Dr. P. V. K. Sasidhar, IGNOU, New Delhi

REVISED PROGRAMME DESIGN COMMITTEE

Late Prof. T S Papola(Rtd)
Institute of Studies in Industrial Development
New Delhi
Prof. S. Janakrajan (Rtd)
Madras Institute of Development Studies Chennai.
Prof. S. K. Bhati
Jamia Millia Islamia University, New Delhi
Prof. Preet Rustagi
Institute of Human Development, New Delhi
Prof. Gopal Iyer (Rtd)
Punjab University, Chandigarh
Dr. S Srinivasa Rao
Jawaharlal Nehru University, New Delhi

Dr, S, Rubina Naqvi
Hindu College, University of Delhi, Delhi
Prof. Nadeem Mohsin (Rtd)
A.N.Sinha Institute of Social Sciences, Patna
Prof. Rajesh, Delhi University, New Delhi
Prof. B. K. Pattanaik, IGNOU, New Delhi
Prof. Nehal A. Farooquee, IGNOU, New Delhi
Prof. P. V. K. Sasidhar, IGNOU, New Delhi
Dr. Pradeep Kumar, IGNOU, New Delhi
Dr. Grace Don Nemching, IGNOU, New Delhi
Dr. Nisha Varghese, IGNOU, New Delhi

COURSE PREPARATION TEAM

Units Writers:

Prof. Nehal A. Farooquee,
IGNOU, New Delhi (Units 1)
Professor Mamta Swain
Revenshaw University, Cuttack (Unit 2)
Dr. M.R. Rajagopal
Gandhigram Trust (Units 3)
Professor B.K. Pattanaik,
IGNOU, New Delhi (Unit 4)

Editors:

Prof. S.K.Bhati (Content Editor)
JMI, New Delhi
Mr. Praveer Shukla (Language Editor), New Delhi
Prof. Nehal A. Farooquee
IGNOU, New Delhi
Prof. P.V.K.Sasidhar
IGNOU, New Delhi
Dr. Grace Don Nemching
IGNOU, New Delhi

Programme Coordinators: Prof. P.V.K. Sasidhar, Prof. B.K. Pattanaik, Prof. Nehal A. Farooquee

Course Coordinator : Prof. Nehal A. Farooquee

PRODUCTION TEAM

Mr. S. Burman
Dy. Registrar (Publication)
MPDD, IGNOU, New Delhi

Mr. K.N. Mohanan
Asst. Registrar (Publication)
MPDD, IGNOU, New Delhi

Mr. Babu Lal Rewadia
Section Officer (Publication)
MPDD, IGNOU, New Delhi

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BLOCK 2 RURAL DEVELOPMENT IN INDIA

Rural Development which is concerned with economic growth and social justice, improvement in the living standard of the rural people by providing adequate and quality social services and minimum basic needs becomes essential. As a discipline, it is multidisciplinary in nature representing an intersection of agricultural, social, behavioral, engineering, and management sciences. Rural development may mean any one of these, depending upon our focus. Rural development can also be defined as a process of developing and utilizing natural and human resources, technologies, infrastructural facilities, institutions and organizations, and government policies and programme to encourage and speed up economic growth in rural areas, to provide jobs, and to improve the quality of rural life towards self-sustenance.

Unit 1, **Rural Development in India**, focuses on basic elements of rural development, and it also spells out rural development perspectives in India. It also discusses the sectoral programmes of rural development and the emerging challenges of rural development.

Unit 2, **Agriculture and Rural Development**, describes how the development of agriculture is essential not only for promoting rural development but also for overall economic development of the country. It is also well known that the growth of agriculture is the key to eradicate rural poverty and ensure food security.

Unit 3, **Rural Industrialization**, the concept of rural industrialization encompasses facilitating avenues of employment in non-farm activities on a widely dispersed basis nearer to the place of living of the poor. The unit also discusses the relevance of rural industrialization.

Unit 4, **Rural Cooperatives and Banking**, it is well known that cooperatives play a significant role in financing of rural development. A few important roles of rural cooperatives are sustained credit support for agriculture and allied activities, and they act as growth centers for the rural economy.

Unit 5, **Rural Poverty, Unemployment and Development Interventions**, unit discusses about poverty, unemployment and development initiatives taken by the government for tackling these problems.

UNIT 1 RURAL DEVELOPMENT: AN OVERVIEW

Structures

- 1.1 Introduction
- 1.2 Rural Development: Meaning And Dynamics
- 1.3 Basic Elements of Rural Development
- 1.4 Rural Development Perspectives in India
- 1.5 Sectoral Programmes of Rural Development in India
- 1.6 Emerging Issues in Rural Development
- 1.7 Let Us Sum Up
- 1.8 References and Selected Readings
- 1.9 Check Your Progress – Possible Answers

1.1 INTRODUCTION

The developing countries' populations are still largely rural - over 60 per cent in developing countries as a whole, and some 70 percent in Southeast Asia. The majority will undoubtedly still be rural till another twenty years according to an estimate. Population problems are deeply rooted in the rural and agricultural sectors of society. Virtually everywhere, rural fertility is higher than urban fertility. Rural migration is often the prime cause of excessively rapid urbanization. The majority of births in the developing countries, including those of Southeast Asia, continues to take place in rural areas, and will continue to be the case for another quarter century or so. Throughout that period and beyond, maternal and child mortality and other health issues will remain predominantly rural ones. For these few significant but obvious reasons, population dynamics in rural areas deserve much more attention in development policy and programmes than these have so far received.

Rural Development which is concerned with economic growth and social justice, improvement in the living standard of the rural people by providing adequate and quality social services and minimum basic needs becomes essential. The present strategy of rural development mainly focuses on poverty alleviation, better livelihood opportunities, provision of basic amenities and infrastructure facilities through innovative programmes of wage and self-employment. The above goals will be achieved by various programme support being implemented creating partnership with communities, non-governmental organizations, community based organizations, institutions, PRIs and industrial establishments, while the Department of Rural Development will provide logistic support both on technical and administrative side for programme implementation. Other aspects that will ultimately lead to transformation of rural life are also being emphasized simultaneously.

After reading this unit, you will be able to:

- Explain meaning and dynamics of rural development
- Describe basic elements of rural development

- Spell out rural development perspectives in India
- Discuss sectoral programmes of rural development in India
- Describe the emerging challenges of rural development

1.2 RURAL DEVELOPMENT: MEANING AND DYNAMICS

1.2.1 Meaning of Rural Development

The term 'rural development' is of focal interest and is widely acclaimed in both the developed and the developing countries of the world. There is however no universally acceptable definition of rural development and the term is used in different ways and in vastly divergent contexts. As a concept, it connotes over all development of rural areas (Rural areas are those which are not classified as urban areas. They are outside the jurisdiction of municipal corporations and committees and notified town area committees) with a view to improve the quality of life of rural people. In this sense, it is a comprehensive and multidimensional concept and encompasses the development of agriculture and allied activities - village and cottage industries and crafts, socio-economic infrastructure, community services and facilities, and above all, the human resources in rural areas. As a phenomenon, it is designed to improve the economic and social well-being of a specific group of people-the rural poor. As a discipline, it is multidisciplinary in nature representing an intersection of agricultural, social, behavioral, engineering, and management sciences (Kartar Singh, 1986). In the words of Robert Chambers, Rural Development is a strategy to enable a specific group of people, poor rural women and men, to gain for themselves and their children more of what they want and need. It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of rural development. The group includes small scale farmers, tenants, and the landless.

Thus rural development may mean any one of these, depending upon our focus. To avoid ineffective floundering among the myriad definitions, we shall define rural development as a process of developing and utilizing natural and human resources, technologies, infrastructural facilities, institutions and organizations, and government policies and programme to encourage and speed up economic growth in rural areas, to provide jobs, and to improve the quality of rural life towards self-sustenance. In addition to economic growth, this process typically involves changes in popular attitudes, and in many cases even in customs and beliefs. In a nutshell, the process of rural development must represent the entire gamut of change by which a social system moves away from a state of life perceived as 'unsatisfactory' towards a materially and spiritually better condition of life. The process of rural development may be compared with a train in which each coach pushes the one ahead of it and is in turn pushed by the one behind, but it takes a powerful engine to make the whole train move. The secret of success in development lies in identifying and, if needed, developing a suitable engine to attach to the train. There are no universally valid guidelines to identify appropriate engines of growth if at all they exist. It is a choice which is influenced by time, space, and culture (Kartar Singh, 1986).

1.2.2 Dynamics of Rural Development

The crucial element of the argument is that most poverty in the world is in rural areas, where reaching is not that easy and there is little knowledge about such

rural areas. There is no shortage of narratives about - or prescriptions on – rural development. Past narratives have included ‘Community Development’, ‘the Green Revolution’ and ‘Integrated Rural Development’. Current narratives include ‘a new, doubly-green revolution’, ‘sustainable agriculture’, ‘rural livelihoods’, promotion of programmes that draws rural investments, growth of rural financial institutions and development of rural enterprises. Embedded in these narratives are the critical choices about rural development policy: state or market; growth or stability; agriculture or non-agriculture; high or low potential areas; expenditure on investment or consumption etc. Different narratives will apply in different places, but all need to be consistent with current thinking on development. Furthermore, the prescriptions currently on offer do not always capture the degree and pace of change in rural areas. Thus, new narratives are needed to deal with challenges such as globalisation, urbanisation, the ‘de-agrarianisation’ of rural space, the increasing diversity of rural environments, and the special problems of low potential areas - in particular, small-scale farming may be facing unprecedented and unmanageable pressures. There will also be area specific problems in poorly performing states and countries.

There are no universally accepted approaches to rural development. It is a choice influenced by time, space and culture. The term rural development connotes overall development of rural areas to improve the quality of life of rural people. In this sense, it is a comprehensive and multidimensional concept, and encompasses the development of agriculture and allied activities, village and cottage industries and crafts, socio-economic infrastructure, community services and facilities and, above all, human resources in rural areas. As a phenomenon, rural development is the end-result of interactions between various physical, technological, economic, social, cultural and institutional factors. As a strategy, it is designed to improve the economic and social well-being of a specific group of people – the rural poor. As a discipline, it is multi-disciplinary in nature, representing an intersection of agriculture, social, behavioural, engineering and management sciences. (Katar Singh 1999).

After reading this section, you will have gained an idea of the term, rural development. Now you should be able to answer the questions given in *Check Your Progress 1*.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) How would you define rural development?

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.....

2) Discuss the dynamics of rural development.

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1.3 BASIC ELEMENTS OF RURAL DEVELOPMENT

“India lives in its villages” - Mahatma Gandhi.

Rural India accounts for roughly 70% of the population located in almost 6, 27,000 villages. There is a vast gap between rich & the poor and urban and rural population of India. Only 31% of the adult rural population has access to institutionalized credit. 64% to 97% of the rural population is in the clutches of informal channels like local moneylenders. Further, they do not even have the basic amenities like food, shelter, drinking water, sanitation, health, education and housing facilities. For providing quality life to rural populace and empowering this deprived segment of society, a holistic approach is necessary. Though the efforts are being made by the Central and State Governments through a variety of measures like *Bharath Nirman* etc., to reach this segment of the society, we are not able match the requirements of the rural populace. To bridge the gap in resources, Government has been inviting Banks to participate in these nation-building activities.

In the Indian context, rural development assumes greater significance as 72.22 per cent (according to the 2001 census) of its population still live in rural areas. Most of the people living in rural areas draw their livelihood from agriculture and allied sectors (60.41 % of total work force), and poverty mostly persists here (27.1 % in 1999-2000). At the time of independence around 83 per cent of the Indian population was living in rural areas. According to 2011 census the rural and urban population profile is presented in Table 1. Accordingly, from the very beginning, our planned strategy emphasized rural development and will continue to do so in future. Strategically, the focus of our planning was to improve the economic and social conditions of the underprivileged sections of rural society. Thus, economic growth with social justice became the proclaimed objective of the planning process under rural development. It began with an emphasis on agricultural production and consequently expanded to promote productive employment opportunities for rural masses, especially the poor by integrating production, infrastructure, human resource and institutional development measures.

The basic objectives of the rural development programmes have been alleviation of poverty and unemployment through creating basic social and economic infrastructure, self employment of rural poor and to provide wage employment to marginal farmers, landless labourers so as to discourage seasonal and permanent migration to urban areas. Under the decentralized planning process, rural development programmes have assumed greater significance as their planning and implementation has been transferred to Pachayati Raj Institutions (PRIs). Department of Rural Development is responsible for effective implementation of many Centrally Sponsored Schemes (CSS) of Rural Development Ministry and state sector schemes of similar and complementary nature. In all the Centrally Sponsored Schemes, the district wise physical and financial targets are decided by the Ministry of Rural Development, Government of India. The development of rural areas and improvement in the quality of life of the rural people has been the primary concern of the department. In order to correct the development imbalance and to accord due priority to rural areas, a number of initiatives have been taken

Table 1: State-wise Distribution of Population by Age-group (Rural/Urban) (Per Cent) (2011)

States	Rural							Urban						
	Below 10	10–19	20–39	40–59	60–79	80 & above	All	Below 10	10–19	20–39	40–59	60–79	80 & above	All
Andhra Pradesh	15.8	18.3	34.6	21.9	8.9	0.7	100	15.5	16.6	36.1	24.7	6.7	0.4	100
Assam	21.2	21.9	34.0	16.9	5.6	0.5	100	15.4	17.3	38.8	22.0	6.1	0.5	100
Bihar	24.7	24.7	28.7	14.9	6.3	0.5	100	20.2	22.7	32.3	17.6	6.7	0.5	100
Chhattisgarh	21.6	19.7	33.0	18.4	6.9	0.4	100	17.5	19.3	36.2	20.7	6.0	0.4	100
Delhi	20.7	20.7	37.3	15.7	4.9	0.5	100	17.9	19.1	38.3	18.7	5.5	0.5	100
Gujarat	18.8	20.3	32.7	19.6	8.0	0.7	100	16.8	17.5	36.9	21.0	7.1	0.7	100
Haryana	19.5	21.6	34.4	17.3	6.5	0.8	100	18.3	19.6	35.9	19.7	6.1	0.6	100
Himachal Pradesh	16.7	18.4	33.2	21.2	9.1	1.4	100	13.2	17.0	34.6	26.5	7.8	0.9	100
Jammu & Kashmir	16.8	21.2	35.7	18.4	7.2	0.9	100	12.3	16.5	38.2	23.1	8.9	0.8	100
Jharkhand	21.9	24.4	31.0	16.3	6.1	0.5	100	17.7	20.8	35.2	19.2	6.4	0.5	100
Karnataka	17.0	19.1	34.3	20.8	8.1	0.7	100	16.3	17.4	37.5	21.4	6.9	0.6	100
Kerala	15.1	15.8	30.9	25.6	11.1	1.5	100	14.8	15.5	30.9	26.5	11.2	1.2	100
Madhya Pradesh	21.4	22.8	32.0	16.6	6.6	0.5	100	18.1	20.3	35.5	19.1	6.4	0.5	100
Maharashtra	18.9	19.4	31.5	19.7	9.4	1.0	100	16.6	17.1	37.3	21.0	7.2	0.6	100
Odisha	18.1	20.0	32.7	19.7	8.7	0.8	100	15.4	18.1	36.2	22.2	7.4	0.7	100
Punjab	16.5	19.2	34.4	19.9	8.7	1.3	100	16.9	17.4	35.2	21.7	8.0	0.8	100
Rajasthan	21.6	23.9	31.9	15.5	6.6	0.7	100	18.1	20.5	35.3	18.8	6.7	0.7	100
Tamil Nadu	15.7	16.4	33.9	23.0	10.0	1.0	100	14.8	15.2	36.1	23.9	9.2	0.9	100
Uttar Pradesh	22.0	25.3	30.9	14.9	6.4	0.6	100	18.3	22.4	35.3	17.4	5.9	0.5	100
West Bengal	17.4	20.4	34.8	19.9	7.0	0.6	100	12.8	15.4	36.3	25.3	9.3	1.0	100
All-India	19.8	21.7	32.4	18.1	7.5	0.7	100	16.5	18.2	36.1	21.2	7.3	0.7	100

Source: Sample Registration System (SRS) Statistical Report 2011, Census of India website (http://www.censusindia.gov.in/vital_statistics/SRS_Report/12SRS%20Statistical%20Report%20Table%20-%2020111.pdf, accessed on 7 May 2013).

Irrespective of the geographic location, culture, and historical stage of development of a society, there are at least three basic elements which are considered to constitute the ‘true’ meaning of development. First and foremost is life sustenance, this refers to the basic needs without which it would be impossible or very difficult to survive. These basic necessities include food, clothes, shelter, health care and security. When any of these are absent or in critically short supply,

we may state that a condition of 'absolute underdevelopment' exists. Provision of these 'life sustaining' requirements to everybody is a basic function of all economies whether they be capitalist, socialist, or mixed. In this sense, we may claim that economic growth (increased availability of basic necessities) is a necessary condition for the improvement of the 'quality of life' which is development.

The second element of development is self respect. This is true for every person and every nation seeks some basic form of self-respect, dignity or honour. Absence or denial of self-esteem indicates a lack of development. The next element is freedom; in this context freedom refers to political or ideological freedom and freedom from social servitude. As long as a society is bound by the servitude of men, to nature, ignorance, other men, institutions and dogmatic beliefs, it cannot claim to have achieved the goal of 'development'. Servitude in any form reflects a state of underdevelopment. The new economic view of development considers reduction or elimination of poverty, inequality and unemployment as an important index of development. Dudley Seers succinctly tackled the basic question of the meaning of development when he wrote: The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development of the country concerned. If one or two of these central problems have been growing worse, especially all three, it would be strange to call the result 'development' even if per capita income gets doubled.

While economic progress is an essential component of development, it is not the only one, as development is not purely an economic phenomenon. In an ultimate sense, it must encompass more than the material and financial side of peoples lives. Development should, therefore, be perceived as a multidimensional process involving the reorganization and reorientations of entire economic and social systems. In addition to improvements in incomes and output, it involves radical changes in institutional, social and administrative structures, as well as in popular attitudes and, in many cases, even customs and beliefs. Finally, although development is usually defined in a national context, its widespread realization may necessitate fundamental modifications of the international economic, social and political systems as well. The Vedic prayer, *sarve sukhinaha santu, sarve santu niramayaha*, i.e, may everybody (in this universe) be happy and healthy, highlights the global and multidimensional nature of development.

All societies must have at least the following objectives irrespective of what development means to them.

- 1) To increase the availability and widen the distribution of basic life-sustaining articles such as food, clothes, shelter, health care and security.
- 2) To raise standards of living, including, in addition to higher purchasing power, the provision of more jobs, better education, and greater attention to cultural and humanistic values.
- 3) To expand the range of economic and social choice to individuals by freeing them from servitude and dependence.

1.4 RURAL DEVELOPMENT PERSPECTIVE IN INDIA

The rural development perspective and programs in India is guided and influenced by the initiatives of the Ministry of Rural Development, Government of India. In October 1974, the Department of Rural Development came into existence as a part of Ministry of Food and Agriculture. On 18th August 1979, the Department of Rural Development was elevated to the status of a new Ministry of Rural Reconstruction. It was renamed as Ministry of Rural Development on 23rd January 1982. In January 1985, the Ministry of Rural Development was again converted into a Department under the Ministry of Agriculture and Rural Development which was later rechristened as Ministry of Agriculture in September 1985. On July 5, 1991 the Department was upgraded as Ministry of Rural Development. Another Department viz. Department of Wasteland Development was created under this Ministry on 2nd July 1992. In March 1995, the Ministry was renamed as the Ministry of Rural Areas and Employment with three departments namely Department of Rural Employment and Poverty Alleviation, Rural Development and Wasteland Development.

Again, in 1999 Ministry of Rural Areas and Employment was renamed as Ministry of Rural Development. This Ministry has been acting as a catalyst effecting the change in rural areas through the implementation of wide spectrum of programmes which are aimed at poverty alleviation, employment generation, infrastructure development and social security. Over the years, with the experience gained, in the implementation of the programmes and in response to the felt needs of the poor, several programmes have been modified and new programmes have been introduced. The Ministry's main objective is to alleviate rural poverty and ensure improved quality of life for the rural population especially those below the poverty line. These objectives are achieved through formulation, development and implementation of programmes relating to various spheres of rural life and activities, from income generation to environmental replenishment.

In order to ensure that the fruits of economic reform are shared by all sections of societies five elements of social and economic infrastructure, critical to the quality of life in rural areas, were identified. These are health, education, drinking water, housing and roads. To impart greater momentum to the efforts in these sectors the Government launched the Pradhan Mantri Gramdoya Yojana (PMGY) and the Ministry of Rural Development was entrusted with the responsibility of implementing drinking water, housing and rural roads component of PMGY.

During the Ninth Plan period, several anti-poverty Programmes have been restructured to enhance the efficiency of the Programmes for providing increased benefits to the rural poor. Self Employment Programmes were revamped by merging the Integrated Rural Development Programme (IRDP), the Development of Women and Children in Rural Areas (DWCRA), the Supply of Improved Tool-Kits to Rural Artisans (SITRA), the Training of Rural Youth for Self Employment (TRYSEM), the Ganga Kalyan Yojana (GKY) and the Million Wells Scheme (MWS) into a holistic self-employment scheme called Swarnjayanti Gram Swarozgar Yojana (SGSY).

Keeping in view the needs and aspirations of the local people, Panchayati Raj Institutions (PRIs) have been involved in the programme implementation and

these institutions constitute the core of decentralized development of planning and its implementation. The Ministry vigorously pursue with the State Governments for expeditious devolution of requisite administrative and financial powers to PRIs as envisaged under 73rd Amendment Act of the Constitution of India. On 25th December 2002, under Drinking Water Sector, a new initiative 'Swajal Dhara' empowering the Panchayats to formulate, implement, operate and maintain drinking water Projects was launched. In order to further involve PRIs in the development process, a new initiative 'Hariyali' was launched by Hon'ble Prime Minister on 27th January, 2003. Hariyali was launched to strengthen and involve Panchayati Raj Institutions in the implementation of watershed development programmes namely IWDP, DPAP and DDP.

The empowerment of rural women is crucial for the development of rural India, a women's component is introduced in the programmes for poverty alleviation to ensure flow of adequate funds to this section. The Constitutional Amendment (73rd), Act 1992 provides for reservation of selective posts for women. The Constitution has placed enormous responsibility on the Panchayats to formulate and execute various programmes of economic development and social justice, and a number of Centrally Sponsored Schemes are being implemented through Panchayats. Thus, women Members and Chairpersons of Panchayats, who are basically new entrants in Panchayats, have to acquire the required skill and be given appropriate orientation to assume their rightful roles as leaders and decision makers. Imparting training to elected representatives of PRIs is primarily the responsibility of the State Governments/Union territory Administrations. Ministry of Rural Development also extends some financial assistance to the States/UTs with a view to improve the quality of training programmes and to catalyze capacity building initiatives for the elected members and functionaries of PRIs.

The Eleventh Plan saw injection of huge resources from the Union Budget to the rural and farm sector. This thrust formed the substance of the Bharat Nirman Programme. The Mahatma Gandhi National Rural Employment Guarantee Act has provided a major foundational support. Department of Drinking Water and Sanitation has been separated from the Ministry of Rural Development from 13th July, 2011 and renamed as Ministry of Drinking Water and Sanitation.

The following major programmes are being operated by the Ministry of Rural Development in rural areas,

- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) for providing wage employment,
- National Rural Livelihoods Mission (NRLM) for self employment and skill development,
- Housing for All : Pradhan Mantri Awaas Yojana - Grameen (PMAY-G) for providing housing to BPL households,
- Pradhan Mantri Gram Sadak Yojana (PMGSY) for construction of quality roads,
- National Social Assistance Programme (NSAP) for social pension,
- Shyama Prasad Mukherjee RURBAN Mission,
- Integrated Watershed Management Programme (IWMP) for improving the productivity of the land.

In addition, the Ministry also has schemes for capacity development of rural functionaries; Information, Education and Communication; and Monitoring and Evaluation.

1.5 SECTORAL PROGRAMMES OF RURAL DEVELOPMENT IN INDIA

India is a country of villages and about 50% of the villages have very poor socio-economic conditions. Since the dawn of independence, concerted efforts have been made to ameliorate the living standard of rural masses. So, rural development as an integrated concept of growth and poverty elimination has been of paramount concern in all the consequent five year plans. Rural Development (RD) programmes comprise the following:

- Provision of basic infrastructure facilities in the rural areas e.g. schools, health facilities, roads, drinking water, electrification etc.
- Improving agricultural productivity in the rural areas.
- Provision of social services like health and education for socio-economic development.
- Implementing schemes for the promotion of rural industry increasing agriculture productivity, providing rural employment etc.
- Assistance to individual families and Self Help Groups (SHG) living below poverty line by providing productive resources through credit and subsidy.

During the plan periods, there have been shifting strategies for rural development. The First Plan (1951-56) was a period when community development was taken as a method and national extension services as the agency for rural development. Co-operative farming with local participation was the focus of the Second Plan (1956-61) strategy. The Third Plan (1961-66) was the period of re-strengthening the Panchayati Raj System through a democratic decentralized mechanism. Special Area Programmes were started for the development of backward areas in the Fourth Plan (1969-74). In the Fifth Plan (1974-79), the concept of minimum needs programme was introduced to eradicate poverty in rural areas. There was a paradigm shift in the strategy for rural development in the Sixth Plan (1980-85). The emphasis was on strengthening the socio-economic infrastructure in rural areas, and initiatives were taken to alleviate disparities through the Integrated Rural Development Programme (IRDP). During the Seventh Plan (1985-90), a new strategy was chalked out to create skill-based employment opportunities under different schemes. Special programmes for income generation through creation of assets, endowments and land reforms were formulated for participation by the people at the grassroots level.

The focus of the Eighth Plan (1992-97) was to build up rural infrastructure through participation of the people. Priorities were given to rural roads, minor irrigation, soil conservation and social forestry. Strategic changes were made in the Ninth Plan (1997- 2002) to promote the process of nation-building through decentralized planning. Greater role of private sector was also ensured in the development process. The Ninth Plan laid stress on a genuine thrust towards decentralization and people's participation in the planning process through institutional reforms. It emphasized strengthening of the panchayati raj and civil society groups for promoting transparency, accountability and responsibility in the development

process. The role of the government, in general, had to shift, from being the provider, to the facilitator of development processes by creating right types of institutional infrastructure and an environment conducive to broad-based economic development.

The thrust of the Tenth Plan (2002-2007) had set a target for reduction of poverty and creation of high quality gainful employment during the Plan period. Effective implementation of anti-poverty programmes and the challenge to provide employment opportunities led to enhanced incomes. This became more important in view of the fact that substantial additions to labour force were experienced during the next five years. Target of constructing 2.83 lakhs houses was fixed. Against this target, 3.10 lakh houses were constructed under Indira Awas Yojana. During Tenth Plan period 2.11 lakh families have been benefited under Swarna Jayanti Gram Swarozgar Yojana. Out of this, 1.23 lakh beneficiaries i.e. about 58% are from SC/ST category. Enlargement of self and wage-employment programmes and their effective delivery were the highlights of the period rural development programmes. The renewed emphasis on rural development is also visible in the commensurate progressive increase in the allocation of resources for implementation of poverty alleviation programmes. For the Tenth Five Year Plan, the allocation of funds for rural development programmes had been enhanced to Rs. 76,774 crore as against Rs. 42,874 crore in Ninth Plan.

The Eleventh Plan (2007-2012) targeted rapid and inclusive growth as its priority. Growth is a pre-requisite for development as it provides the basis for expanding incomes and employment necessary for social uplift. Table 2 gives State-wise share of non-agriculture in total employment in rural India. The main emphasis is on the Social sector and delivery of services therein. Education, in particular, has been accorded utmost priority during the 11th Five Year Plan period. Adequate provision has been made for the state share in continuing Centrally Sponsored Schemes like Swarna Jayanti Gram Swarozgar Yojana (SAGSY), Indira Awas Yojana (IAY), Integrated Waste Land Development Programme (IWDP), Drought Prone Area Programme (DPAP), Mid Day Meal Scheme, DRDA Administration and National Rural Employment Guarantee Scheme (NREGS).

Table 2: State-wise Share of Non-agriculture in Total Employment (Rural) (Per Cent) (1993–94, 1999–2000, 2004–05 and 2009–10)

States	1993–94	1999–2000	2004–05	2009–10
Andhra Pradesh	20.7	21.2	28.2	31.3
Arunachal Pradesh	13.6	16.6	18.1	24.3
Assam	20.8	32.3	25.7	29.5
Bihar	15.7	19.4	22.1	33.1
Chhattisgarh	-	-	13.8	15.1
Delhi	89.7	92.5	92.8	100.0
Goa	54.6	71.3	64.7	76.1
Gujarat	21.3	20.2	22.7	21.7
Haryana	28.1	31.5	35.9	40.2
Himachal Pradesh	19.7	26.4	30.4	37.1
Jammu & Kashmir	24.2	23.7	36.1	40.3

Jharkhand	-	-	30.0	45.2
Karnataka	18.8	17.9	19.0	24.3
Kerala	43.6	51.7	58.0	64.3
Madhya Pradesh	10.2	12.9	17.5	17.6
Maharashtra	17.4	17.4	20.0	20.6
Manipur	36.2	24.7	30.7	46.6
Meghalaya	14.0	13.5	18.2	29.3
Mizoram	11.1	14.5	12.6	19.4
Nagaland	25.1	20.3	20.7	25.9
Odisha	19.1	21.8	31.0	32.4
Punjab	25.3	27.4	33.1	38.2
Rajasthan	20.1	22.3	27.1	36.7
Sikkim	41.4	39.2	39.5	46.1
Tamil Nadu	29.5	32.1	34.6	36.3
Tripura	52.4	54.3	56.8	69.4
Uttar Pradesh	20.0	23.8	27.2	33.1
Uttarakhand	-	-	21.6	30.5
West Bengal	36.7	36.4	37.3	43.7
All-India	21.6	23.7	27.3	32.1

Note: All data pertain to usually working persons in the Principal Status (PS) and Subsidiary Status (SS) taken together.

Some of the major sectors where a number of developmental programmes have been initiated by the Government of India are broadly classified under following nine areas as mentioned below are:

- 1) Rural Poverty Alleviation and Employment
- 2) Rural Housing
- 3) Rural Roads
- 4) Rural Sanitation
- 5) Rural Education
- 6) Rural drinking Water
- 7) Rural Energy
- 8) Rural Food Security
- 9) Rural Health

1.5.1 Rural Poverty Alleviation and Employment

Some of programmes launched for alleviation of rural poverty and creation of employment in India can be broadly categorized as: (a) Area Development Programmes; (b) Integrated Development Programmes; (c) Wage Employment Programme and (d) Self employment programme

a) Area Development Programme***Drought Prone Area Development Programme (DPAP)***

The DPAP was launched in 1973 with the objective to develop adequate infrastructure and bring about integrated area development; and to increase productivity and employment opportunities. The thrust areas of the programme are (i) water management; (ii) soil and moisture conservation; (iii) afforestation; (iv) livestock development; (v) promotion of draught resistant crops; (vi) diversification of agriculture and (vii) pasture development.

Command Area Development Programme (CADP)

The CADP was launched in 1974-75 with the main objective of improving the utilization of created irrigation; potential and optimising agricultural productivity. The programme enhanced the irrigation facility and productivity in various states. It had helped to ameliorate poverty and create employment opportunity in rural areas.

Hill Areas Development Programme (HADP)

The HADP was launched in 1975 with two main objectives (i) eco restoration, eco development and eco preservation; and (ii) economic upliftment of the tribals. The activities undertaken under the scheme are development of land use plan' conserve soil and water to increase productivity of land by using vegetative methods and changing cropping pattern; promotion of non conventional energy sources; and economic upliftments of tribals in isolated locations and settlements. The programme basically aimed poverty reduction and employment generation among the people residing in hilly areas.

Desert Development Programme (DDP)

The DDP was launched in 1975. The main objective of the programme was to combat draughts and desertification and to raise the livelihood conditions of the people living in those areas. The activities undertaken were restoration of ecological balance, soil and water conservation, stabilize sand dunes and take care of livestock and people. The programme strived to improve the economic condition of the people through the creation, widening and equitable distribution of resources and increased employment opportunities.

Watershed Development Programmes Under DPAP and DDP

The Drought Prone Areas Programme (DPAP), Desert Development Programme (DDP) and Integrated Wasteland Development Programme (IWDP) are being implemented on watershed basis and aim at drought proofing and controlling desertification by regeneration of depleted natural resource base. All these three programmes were brought under the Guidelines for Watershed Development with effect from 1.4.1995.

b) Integrated Development Programme

Some of the important integrated development programmes initiated by the government of India for the development of rural areas are as follows.

Small Farmers Development Agency (SFDA) / Marginal Farmers and Agricultural Laborers Development Agencies (MFALDA)

These two agencies were set up in 1971. The main thrust of the SFDA was to identify small farmers and make them available various facilities i.e. arrangement for irrigation; credit facilities for digging wells and tube-wells; make availability of improved seeds, fertilizers and machinery for land leveling; provide facilities of storage, transportation, processing and marketing of their product; render other essential services like Credit, Training and other raw materials. The main thrust of the SFDA was to prepare appropriate plans to improve the economic condition of poor.

The MFALDA had emphasis on identify marginal farmers and agricultural laborers; formulate economic programme for providing them gainful employment; providing facilities for the production, processing, storage and marketing of their products; make provision of adequate institutional, financial and administrative arrangement for the economic well-being of these poor group of farmers. The various activities promoted under this programme are poultry farming, animal husbandry, agro-industries, art and crafts, carpentry, shoe making, pottery, embroidery and similar kind of vocational employment generating activities.

20 Point Programme

The first 20 Point Programme was announced in July, 1975 and the second in revised form in July, 1982. The main objectives of the programme was ensuring social justice, relieving unemployment and eradicating poverty. In 1986, the Government again restructured the programme and with the stated goal to “remove poverty and create further employment.”

Some of the major thrust areas to contain poverty were:

- Effective implementation of poverty eradication programme in every village.
- Dovetail wage employment programme with programmes for areas development and human resource development and create national and community assets like school buildings, roads, tanks and fodder reserves.
- Correlate various rural development programmes to improve productivity, production and expand rural employment.
- Promote handlooms, handicrafts, village and small industries and improve skills for self-employment.

Integrated Rural Development Programme (IRDP)

The IRDP programme was launched in 1980. The main purpose of the scheme was instead of multiplicity of programmes operated through multiplicity agencies for the upliftment of rural poor, as single integrated programme was suggested. The main objective is to enable the selected families to cross the poverty line through a strategy of productive assets endowment. The programme aims at making the family economically viable and self sustaining. The thrust areas of the programme are as follows:

- Raise the production and productivity in agriculture and allied sector by providing access to inputs like water, improved seeds and fertilizers to the rural poor.
- Diversification of agriculture through animal husbandry, dairying, forestry, fishery, sericulture etc.
- Promotion of post harvesting technology and agro processing industries.

The programme aims at integrated development of primary secondary and tertiary sectors. In the primary sector programmes for agriculture, animal husbandry, fisheries and forestry development will be identified. The secondary sector will focus on the programmes for village and cottage industries, skill formation and supporting service. While the tertiary sector be developed by creating facilities for organized marketing, processing and allied activities for observing increasing number of local people.

c) Wage Employment Programme

National Rural Employment Programme (NREP)

The NREP was launched in 1980 as a centrally sponsored scheme on 50:50 sharing basis between the centre and the states. The three main objectives of the scheme were

- generating additional gainful employment
- creating durable community assets
- improving overall quality of life in rural areas

All type of work which aims at creating durable community assets such as village road, ponds, water bodies etc., were undertaken in the programme. The identified works based on the felt needs of the rural community are passed in the Gram Sabha. Later on these projects are implemented through the village panchayats.

Rural Landless Employment Guarantee Programme (RLEGP)

RLEGP was launched in the year 1983. The main goal of the programme was to generate additional employment in rural areas particularly for the landless workers. The programme was a central scheme, fully funded by the Central Government. The programme like the NREP also aimed at improving the quality of life of the people living in rural areas and to create productive and durable assets for strengthening rural infrastructure.

Food for Work Programme (FFWP)

FFWP was launched in the year 1977. The aim was to generate additional gainful employment in rural areas, create durable community assets, strengthen social and rural infrastructure and to raise standard of living. The wages were paid in the form of food grains and government surplus stocks were used for the purpose of ensuring food grain supply. Some of the important objectives of the programme are:

- To provide supplementary resources along with other aids to the rural poor of the backward districts
- To provide supplementary wage employment to the poor rural populace of the backward districts
- To provide security pertaining to food to the rural poor of the backward districts
- To facilitate the creation of common economic and social assets for the rural areas

JRY was launched in 1989 by merging the two schemes such as NREP and RLEGP. The JRY aims to alleviate poverty through creating supplementary employment opportunities for the rural poor during agricultural slack periods. The other objectives of the scheme are creation of social assets such as roads, public forests, school building etc. The fund under JRY is shared between the Centre and the states on 80:20 ratio.

Employment Assurance Scheme (EAS)

The EAS was launched in 1993-94 for creating additional employment in rural areas for rural poor. EAS is quite similar to JRY except that it assures 100 days employment (unskilled manual work) on minimum wage up to two members of a family in the age group of 18 to 60 years to all those rural poor who seek employment in the lean agro season.

Sampoorna Grameen Rozgar Yojana (SGRY)

SGRY was launched in 2001 by merging two schemes such as EAS and JGSY (Jawahar Gram Samridhi Yojana) with the objective of providing additional wage employment and food security to rural poor. Special emphasis was given on women, scheduled castes, scheduled tribes and parents of children withdrawn from hazardous occupations. The wages under the scheme shall be partly in food grains and partly in cash. The programme aims at creation of durable community assets. Under the programme 50% of the funds and food grains was made available in Zilla Praishad and Intermediate Panchayats in the ratio of 40:60 for implementation and other 50% of funds and food grains is available to village panchayat for implementation. The programme was implemented as a centrally sponsored scheme on cost sharing basis between the centre and the states in the ratio of 75:25 of the cash component of the programme. Food grains is supplied free of cost to the state by the centre.

The National Rural Employment Guarantee Scheme

The NREGS was launched in 2004 in 200 backward districts and later on extended to the entire district in the country in 2008. The National Rural Employment Guarantee Act (NREGS) (herein after referred as NREGS) was enacted in 2005 aims at to provide a minimum guaranteed wage employment of 100 days in every financial year to rural households with unemployed adult members prepared to do unskilled manual work. The scheme is a strategic attempt to fight the conundrums of poverty and unemployment, which are intrinsically interlinked. The NREGS indirectly aims at making employment as a human right.

It is pertinent to note here that three articles of the constitution of India have bearing on the right to work and these are listed in the Directive Principles of State Policy. Those are: (i) Article 39 envisage that the state to direct its policy towards securing for all its citizens, men and women, the right to an adequate means of livelihood. Article 41 enjoins the state to make effective provision for securing the right to work, to education and to public assistance in case of unemployment, old age, sickness and disablement and in any other of undeserved want, all within the economic capacity of the state. Article 43 direct the state to secure to all its citizens, work, living wage conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities. Unemployment is a cause of poverty.

Development of Women and Children in Rural Areas (DWCRA)

The DWCRA was launched during 1982-83 in a sub scheme of IRDP. The primary objective of the scheme is to provide self employment opportunities to the women members of the rural families below the poverty line. A distinct feature of DWCRA is that it is a group strategy as against the family as a Unit of assistance under IRDP. Under DWCRA, a group of women consisting of 10-15 women encouraged to take up economic activities suited to their skill, aptitude and local conditions. In addition to the benefits of loan subsidy of IRDP to individual member; each group of women under DWCRA is given a lump sum grant of Rs.15,000/- as 'revolving fund' for the purchase of raw materials and meet other revolving expenses.

d) Self Employment Programme***Training of Rural Youth for Self Employment (TRYSEM)***

The TRYSEM was launched as a centrally sponsored scheme in 1979. The main aim of the scheme is to generate employment opportunities for the unemployed educated youth. The main thrust of the scheme is to equip the rural youth in the age group of 18-35 years with necessary skills and technology to take up vocational self employment activities in agriculture and allied activities, industry services and business. The training is imparted to these youth through local servicing and industrial units, master craftsman, artisans and skilled workers. The provision of tool kits and subsidy was there for these youth.

Support for Training and Employment (STEP)

Under the programme marginalized and asset-less women are provided training in new technologies in agriculture, dairying, horticulture, fisheries handcrafts, handlooms, etc. The women were devided into gropus ad provided with necessary infrastructure, managerial and marketing support for productive activities on sustainable basis.

Swarnajayanthi Gram Swarozgar Yojana (SGSY)

The magnitude of poverty and disparities that existed between the various social groups necessitated planned state intervention to provide succour and relief particularly to the disadvantaged and marginalised groups such as SC/ST, women etc. Keeping this in view and having regard to the positive aspects as well as deficiencies, the earlier self employment programmes like TRYSEM, SITRA, GKY, DWCRA, IRDP and MWS were merged and a new self employment programme viz., SGSY was launched w.e.f.1-4-1999.

The SGSY is conceived as a holistic programme of micro enterprises covering all aspects of self employment and establishing effective linkages between the various components viz., organization of the rural poor into Self Help Groups (SHGs), their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing etc. The main objective of the programme is to bring the existing poor families above the poverty line. Among the rural poor, special emphasis will be given for the welfare of SCs/STs, women and disabled. The programme lays emphasis on organization of poor into Self Help Groups (SHGs) and their capacity building.

Creation of sustained employment opportunities for securing a minimum level of employment and income for the rural poor necessitated continuous need for special employment programmes. Keeping the above aim and to strengthen the need based infrastructure at the village level to boost the rural economy the erstwhile wage employment programmes JGSY and EAS were merged and a new scheme namely SGRY was launched from 15th August 2001. The main objective of the new programme is to provide additional wage employment in the rural areas as food security by creation of durable community social and economic assets and infrastructure development in rural areas. Towards this end the SGRY envisages distribution of food grains @ 5 kg per man day to the workers as part wages. While the cash component will be shared by the Centre and States in the ratio of 75:25, the Central Government will supply the food grains free of cost to the States.

1.5.2 Rural Housing

The aim of the Government is to provide a dwelling for each family giving special emphasis to rural poor and deprived. With this background rural housing programmes was initiated.

Indira Awaas Yojana

It was initiated with a view to meeting the housing needs of the rural poor; Indira Awaas Yojana (IAY) was launched in May 1985 as a subscheme of Jawahar Rozgar Yojana. It is being implemented as an independent scheme since 1 January 1996. It aims at helping below poverty line rural households belonging to SCs/STs, free bonded labourers, widows of next of kin of defence personnel, ex-servicemen and retired members of the paramilitary forces and also non SC/ST rural poor by providing them with grant-in-aid for construction of new dwelling units and upgradation of existing unserviceable kutcha houses. 3% of funds are reserved for the benefit of disabled poor below the poverty line in rural areas. The assistance ceiling for each house in plain area is fixed at Rs. 20,000/- and for hill/ difficult areas Rs. 22,000. In order to enable fire proof RCC roofed houses to be provided, the State Government provides additionally Rs. 12,000 per house as additional cost apart from its usual matching share to the Central grant. The expenditure towards provision of RCC roofing is met under Adi-dravida Welfare head. Therefore, the unit cost including sanitary latrine under this scheme is Rs. 32,000/- in normal terrain and Rs. 34,000 in difficult terrain. 80% of the IAY funds is earmarked for construction new houses and 20% is towards upgradation of unserviceable kutcha houses at the rate of Rs. 10,000/- per unit. The funds under IAY are shared between Centre and States in the ratio of 75:25.

Credit cum Subsidy Scheme

The Credit-cum-Subsidy Scheme has been conceived for rural households having an annual income upto Rs. 32,000/-. Subsidy upto Rs. 10,000/- and loan up to Rs. 40,000/- from commercial or co-op. banks is provided to eligible households for construction of houses.

Innovative Stream for Rural House and Habitat Development Scheme

This scheme intends to popularize low cost technology and usage of locally available materials in construction of buildings in rural areas. Innovative

technology adopted for the rural house type design in the scheme are:

- Rat-trap bond brick work, hollow blocks and soil stabilized cement mortar for construction of walls.
- Filler slab roofing using Mangalore tiles as filler material for roofing.
- Ferro cement / pre cast RCC doors, window, frame and shelter and
- Brick baf with plastering for flooring.

Under this scheme free houses are constructed for the rural poor. Infrastructure facilities such as drinking water, drainage, street formation etc., are provided by dovetailing funds under other ongoing schemes in the habitations developed under this scheme. This scheme is fully funded by the Government of India.

Samagra Awaas Yojana

This is a comprehensive Housing Scheme with a view to ensuring integrated provision of shelter, sanitation and drinking water. This is being implemented in one block each off 25 districts of 24 States and one UT. The role of PRIs in implementation of this scheme is:

- The Zila Parishad, the Block Samiti and the Gram Panchayat will be fully involved in the implementation of this Scheme.
- The special IEC funds of Rs. 5 lakh per district and habitat development funds of Rs. 20 lakh will be routed through DRDAs. DRDAs/ZPs and Public Health Department will be the main implementing agencies.

Pradhan Mantri Gramodaya Yojana (PMGY) (Rural Shelter Component)

This scheme has been introduced by the Government of India under additional Central assistance for providing shelter in the rural areas to supplement the efforts in the sphere of rural housing considering the magnitude of the task. The guidelines of Indira Awaas Yojana are applied for this scheme also. 60% of the total allocation is earmarked for SC/ST beneficiaries.

1.5.3 Rural Road

In order to improve rural connectivity and communication, a special programme called as the *Pradhan Mantri Gram Sadak Yojana (PMGSY)* was launched in 2000-2001.

Pradhan Manthri Gram Sadak Yojana (PMGSY)

The Pradhan Mantri Gram Sadak Yojana (PMGSY) is a Government of India Scheme introduced in the year 2000-2001 with the objective of providing road connectivity through good all weather roads to all unconnected rural habitations having population above 1000 by 2003 and all unconnected habitations having population of 500 and above by end of Tenth Plan period (2007). Under this programme the approved works are grouped into packages costing more than Rs. 1 crore but less than Rs. 5 crores and executed through tender system. The guidelines stipulate that district master plans would be prepared. A District Rural Road Plan is prepared for each district indicating the habitations in each block with the existing status of road connectivity. The scheme will be fully funded by the Government of India.

1.5.4 Rural Sanitation

To provide more and more sanitation facilities to rural population and generate awareness about health education and eradicate manual scavenging, the Total Sanitation Campaign scheme under RCRSP will be continued during the Tenth Five Year Plan period. The Total Sanitation Campaign envisages a demand driven approach with greater public participation and more emphasis given for IEC activities to create awareness among the rural masses. The project would be implemented in 24 months spread over 3 years in select districts with the ultimate objective of covering 80% rural population under sanitation. The expenditure on this scheme is shared by the Central and State Government on 80:20 basis. An outlay of Rs. 19.15 crores has been provided under the Tenth plan.

Integrated Rural Sanitation and Water Supply Project with DANIDA Assistance

This scheme aims to improve the health and sanitary condition in the project area villages through integrated approach to provide safe drinking water and sanitation through participatory and demand driven approach. This programme is being implemented with DANIDA assistance. Water supply works, individual household latrines and institutional latrines are taken up in the project area. The outlay provided is Rs. 16.27 crores.

Central Rural Sanitation Programme (CRSP)

This programme aims at improving the general quality of life in rural areas; accelerating coverage in rural areas; generating demand through awareness creation and health education; and controlling incidence of water sanitation related diseases. The role of PRIs in implementation of this scheme is:

- Total Sanitation Campaign (TSC) is a community based programme where Panchayati Raj Institutions are in the forefront.
- As per TSC Guidelines, the implementation at the district level is to be done by the District Panchayats. Panchayats at block and village level are to be fully involved for implementation of the programme.
- Where District Panchayat is not in a position to implement the programme, it is being implemented by District Water & Sanitation Mission which is chaired by Chairperson of District Panchayat and the Village Committees are chaired by the Chairpersons of Gram Panchayats. In the later case, the Village Water & Sanitation Mission are part of the Gram Panchayat.

1.5.5 Rural Education

The Rural Education Programme is an effort of the government to assist the rural youth, adult and women from poor rural communities to access education. It provides them with a support and opportunity to enable them to read and write. It aims to develop confident rural population, with capacity and sound values.

Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan is an effort to universalise elementary education by community-ownership of the school system. It is a response to the demand for quality basic education all over the country. The SSA programme is also an

attempt to provide an opportunity for improving human capabilities to all children, through provision of community-owned quality education in a mission mode. The broad objectives of the programme are:

- A programme with a clear time frame for universal elementary education.
- A response to the demand for quality basic education all over the country.
- An opportunity for promoting social justice through basic education.
- An effort at effectively involving the Panchayati Raj Institutions, School Management Committees, Village and Urban Slum level Education Committees, Parents' Teachers' Associations, Mother Teacher Associations, Tribal Autonomous Councils and other grass root level structures in the management of elementary schools.
- An expression of political will for universal elementary education across the country.
- A partnership between the Central, State and the local governments.
- An opportunity for States to develop their own vision of elementary education

The Sarva Shiksha Abhiyan is to provide useful and relevant elementary education for all children in the 6 to 14 age group by 2010. There is also another goal to bridge social, regional and gender gaps, with the active participation of the community in the management of schools. Useful and relevant education signifies a quest for an education system that is not alienating and that draws on community solidarity. Its aim is to allow children to learn about and master their natural environment in a manner that allows the fullest harnessing of their human potential both spiritually and materially. This quest must also be a process of value based learning that allows children an opportunity to work for each other's well being rather than to permit mere selfish pursuits.

Sarva Shiksha Abhiyan realizes the importance of Early Childhood Care and Education and looks at the 0-14 age as a continuum. All efforts to support pre-school learning in ICDS centres or special pre-school centres in non ICDS areas will be made to supplement the efforts being made by the Department of Women and Child Development.

1.5.6 Rural Drinking Water

To provide safe drinking water to rural population is the sole objective of this programme. Provision of safe drinking water in the rural areas is the responsibility of the States. Funds are being provided for provision of the facility in the State budgets right from the First Five Year Plan period.

The Accelerated Rural Water Supply Programme (ARWSP)

It was introduced in 1972-73 by the Government of India (GOI), to assist the States and Union Territories to accelerate the pace of coverage of drinking water supply. To ensure maximum inflow of scientific and technical input into the rural water supply sector to improve the performance, cost effectiveness of the on-going programmes and ensure adequate supply of safe drinking water, the entire programme was given a Mission approach. The Technology Mission on drinking water and related water management was launched in 1986. It was also called the National Drinking Water Mission (NDWM) and was one of the five Societal Missions launched by the Government of India. The NDWM was renamed Rajiv

Gandhi National Drinking Water mission (RGNDWM) in 1991. It was realised that the objective of supplying safe water would not be achieved unless the sanitary aspects of water and the issue of sanitation are addressed together. The Centrally Sponsored Rural Sanitation Programme (CRSP) WAS launched in 1986 with the overall objective of improving the quality of life of the rural people.

Rajiv Gandhi National Drinking Water Mission

The programme was launched in 2005 with the objective of bringing the remaining 66000 uncovered habitations with the supply of safe drinking water. It was also envisaged that Bharat Nirman should cover all habitations, which are partially covered, have slipped back after being covered and where quality has been affected. It is envisaged that the two programmes, the ARWSP and the CRSP, implemented simultaneously would help break the vicious circle of disease, morbidity and poor health, resulting from water borne diseases and insanitary conditions. Accelerated Rural Water Supply Programme (ARWSP). This programme aims at providing safe and adequate drinking water facilities to the rural population by supplementing the efforts made by the State Governments/ UTs under the State Sector Minimum Needs Programme (MNP). Keeping in view the different kinds of problems arising while providing potable water in the rural areas, 56 Mini-Missions (pilot projects) were identified covering all States/ UTs. These pilot projects helped to evolve models that are replicable and can be incorporated in the on-going programmes

Swajaldhara

This programme aims at providing Community-based Rural Drinking Water Supply. The key elements of these programmes are namely, (i) demand-driven and community participation approach, (ii) panchayats / communities to plan, implement, operate, maintain and manage all drinking water schemes, (iii) partial capital cost sharing by the communities upfront in cash, (iv) full ownership of drinking water assets with Gram Panchayats and (v) full Operation and Maintenance by the users/ Panchayats. The roles of PRIs in implementation of this scheme are:

- Gram Panchayat shall convene a Gram Sabha Meeting where the Drinking Water Supply Scheme of People's choice including design and cost etc. must be finalized. Gram Panchayats are to undertake procurement of materials/ services for execution of schemes and supervise the scheme execution.
- A resolution must be passed in the Gram Panchayat meeting calling for users/ beneficiaries to contribute 10% of the capital expenditure. However, GP can remit towards community contribution from its tax revenue (Not from Government Grants) with the approval of Gram Sabha.
- Gram Panchayat will decide whether the Panchayat wants to execute Scheme on its own or wants the State Government Agency to undertake the execution.
- After completion of such schemes, the Gram Panchayat will take over the Schemes for Operation & Maintenance (O&M).
- Panchayat must decide on the user charges from the community so that adequate funds available with Panchayat to undertake O&M.

1.5.7 Rural Energy

Rural Development *per se* has so far not figured in the stated Energy Policy. Rural electrification is mainly perceived in the context of energy requirements to meet the irrigation needs of agriculture as part of the overall food security policy. Therefore, Rural Electrification Priority was to provide assistance for transmitting energy to agricultural pump sets to increase the productivity of land. Household electrification came as a secondary or incidental issue. The whole concept of rural energy in the past was to provide one connection to a village which was primarily used to electrify agricultural pump sets. The Government of India changed the definition of village electrification recently to state that a village is considered as electrified if it provides electricity/power to all the habitations in the village. They consider the village as electrified if at least 10 to 20% of the inhabitants in the villages are provided with energy for lighting. Consequently, the emphasis is not on energy and its use for rural development, but availability of electricity for certain segment of households, in the villages and hamlets. **Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)** Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) was

launched in April 2005 by merging all ongoing schemes. Under the programme, 90% grant is provided by Govt. of India and 10% as loan by Rural Electrification Corporation (REC) to the State Governments. Rural Electrification Corporation (REC) is the nodal agency for the programme. The National Common Minimum Programme has made a commitment to develop our renewable energy potential. These programmes commit us to

complete rural electrification within

the next 5 years. The success of these programmes depends on our ability to combine investments in power generation through thermal, hydro and nuclear energy sources with investments in renewable energy. It is proposed to see that diesel be replaced by bio-fuels in agricultural pump-sets and tractors. For cooking, lighting and motive power we must tap a variety of bio-energy technologies including the hi-tech biomass gasification route. The Ministry of Non-conventional Energy Sources has been entrusted to accelerate the development and deployment of frontier technologies like hydrogen and fuel cells. **1.5.8**

Rural Food Security India's malnutrition figures are not coming down despite a number of government programmes, according to few studies including one by World Food Programme. The research points out the need for a revamped public distribution system and greater public investment to address the wants of rural population. High economic growth rates have failed to improve food security in India leaving the country facing a crisis in its rural economy, according to the report by the World Food Programme and the M S Swaminathan Research Foundation (MSSRF). The report says that the number of undernourished people is rising, reversing gains made in the 1990s. Slowing growth in food production, rising unemployment and declining purchasing power of the poor in India are combining to weaken the rural economy.

It also examines the effectiveness of some of the important food-based interventions like the Public Distribution System (PDS), the Integrated Child Development Services (ICDS), and the Mid Day Meal Scheme (MDMS), and recommends measures for improved performance. "There is a need to create a universal PDS

with uniform prices affordable to the poor and the allocation should be based on the number of consumption units in the household,” remarked Professor Venkatesh Athreya who coordinated this research. At the global level, the South Asian region is home to more chronically food insecure people than any other region in the world and India ranks 94th in the Global Hunger Index of 119 countries. While famines and starvation deaths remain the popular representation of the contemporary problem of hunger, one of the most significant yet understated and perhaps less visible area of concern today is that of chronic or persistent food and nutrition insecurity.

On the composite index of food insecurity of rural India, states like Jharkhand and Chhattisgarh are found in the ‘very high’ level of food insecurity, followed by Madhya Pradesh, Bihar and Gujarat. The better performers include Himachal Pradesh, Kerala, Punjab and Jammu and Kashmir. Andhra Pradesh, Madhya Pradesh, Bihar, Gujarat, Karnataka, Orissa and Maharashtra perform poorly. Even economically developed states like Gujarat, Maharashtra, Andhra Pradesh and Karnataka find themselves in the category of high food insecurity - a reflection perhaps of the manifestation of the agrarian crisis in the states and its consequent negative impact on the health and well-being of the rural population.

Public Distribution System

India’s Public Distribution System (PDS) with a network of 4.78 Lakh Fair Price Shops (FPS) is perhaps the largest retail system of its type in the world. Since 1951 public distribution of food grains has been retained as deliberate social policy by India with the objectives of:

- i) Providing food grains and other essential items to vulnerable sections of the society at reasonable (subsidized) prices
 - ii) To put an indirect check on the open market prices of various items and
 - iii) To attempt socialization in the matter of distribution of essential commodities
- PDS is an important constituent of the strategy for poverty eradication and is intended to serve as a safety net for the poor whose number is more than 33 Crores and are nutritionally at risk. PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government has taken the responsibility for procurement, storage, transportation and bulk allocation of food grains, etc.

The PDS system today supports over 40 Crore Indians below the poverty line with monthly supply of subsidized food grains. The system also provides gainful employment for 4.78 Lakh Fair Price Shops Owners, their employees and hired labour who work at the FCI and state warehousing godowns. PDS also has become a cornerstone of government development policy and is tied to implementation of most rural development programs. PDS is also a key driver of public sentiment and is an important and very visible metric of government performance. One of the main problems with this system is the inefficiency in the targeting of beneficiaries and the resulting leakage of subsidies. Several opportunities to manipulate the system exist with widespread collusion across the supply chain. The Planning Commission had the following to say on the PDS system in its 2005 report. *“For every Rs 4 spent on the PDS, only Rs 1 reaches the poor” and “57% of the PDS food grain does not reach the intended people “*

The Annapurna Scheme aims at providing food security to meet the requirement of those senior citizens who though eligible have remained uncovered under the National Old Age Pension Scheme. The role of PRIs in implementation of this scheme is:

- The Panchayats identifies the Beneficiaries and communicate the same to Collector/CEO.
- The Gram Sabhas are required to select the Beneficiaries for the Scheme and the lists of beneficiaries so selected by Gram Sabha will be displayed by the Gram Panchayats.
- The Gram Panchayats distribute the Entitlement Cards to the Beneficiaries in Gram Sabha Meetings.
- The Gram Panchayats will give wide publicity to the Scheme and will also be responsible for dissemination of information in regard to the procedure for securing benefits under the Scheme.

1.5.9 Rural Health

Recognizing the importance of Health in the process of economic and social development and improving the quality of life of our citizens, the Government of India has resolved to launch the National Rural Health Mission to carry out necessary architectural correction in the basic health care delivery system. The Mission adopts a synergistic approach by relating health to determinants of good health viz. segments of nutrition, sanitation, hygiene and safe drinking water. It also aims at mainstreaming the Indian systems of medicine to facilitate health care. The National Rural Health Mission (2005-12) seeks to provide effective healthcare to rural population throughout the country with special focus

on 18 states, which have weak public health indicators and/or weak infrastructure. The goals of the mission are:

- Reduction in Infant Mortality Rate (IMR) and Maternal Mortality Ratio (MMR)
- Universal access to public health services such as Women's health, child health, water, sanitation & hygiene, immunization, and Nutrition.
- Prevention and control of communicable and non-communicable diseases, including locally endemic diseases.
- Access to integrated comprehensive primary healthcare.
- Population stabilization, gender and demographic balance.
- Revitalize local health traditions and mainstream AYUSH.

Accredited Social Health Activist (ASHA)

One of the key components of the National Rural Health Mission is to provide every village in the country with a trained female community health activist – 'ASHA' or Accredited Social Health Activist. Selected from the village itself and accountable to it, the ASHA will be trained to work as an interface between the community and the public health system. Following are the key components of ASHA:

- ASHA must primarily be a woman resident of the village – married/ widowed/ divorced, preferably in the age group of 25 to 45 years.
- She should be a literate woman with formal education up to class eight. This may be relaxed only if no suitable person with this qualification is available.
- ASHA will be chosen through a rigorous process of selection involving various community groups, self-help groups, *Anganwadi* Institutions, the Block Nodal officer, District Nodal officer, the village Health Committee and the Gram Sabha.

After reading this section, you will have gained an idea about the various sectoral development programmes. Now you should be able to answer the questions given in *Check Your Progress 2*.

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

- 1) Enumerate the various sectors emphasized by the Government of India for the development of rural areas?

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- 2) Discuss the various programmes under rural housing.

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1.6 EMERGING ISSUES IN RURAL DEVELOPMENT

Rural poverty in context

The livelihoods of people living in rural areas are strongly dependent on the natural resources of water, soil, and forests, as they earn their living from farming, forestry, mining, tourism, or related service industries. Rural populations include a wide range of people, from wealthy land owners to subsistence farmers, landless labourers, women-headed households and minority groups pushed onto cheap, marginal land. The majority of the world's poorest people lives in rural areas and have little in reserve when droughts, floods or plagues of pests destroy crops and livestock, seasonal factors mean there is no work, or international financial

fluctuations drastically reduce income for the same physically demanding workload. Rural people tend to suffer from poorer health, have higher illiteracy rates and earn less than city dwellers.

The extent of rural poverty and its weight in global poverty needs no great discussion. The forthcoming IFAD Rural Poverty Report 2001 claims that three quarters of the 1.2 billion people living below \$US 1 per day are rural; and the Report estimates that by 2020, 60 per cent of the world's poor will still be rural. However, livelihoods are more diverse, with at least 45% of income derived from non-agricultural sources, and often 80%. Non-farm income is sometimes agriculture-dependent, but often not: long distance migration, usually to cities, contributes an increasing share of household income.

Rural development should be central to poverty reduction. Three quarters of the 1.2 billion people surviving on less than one dollar a day live and work in rural areas. Rural people are twice as likely to be poor as urban counterparts. However, rural development faces a loss of confidence: funding has been falling, and governments and donors are scrambling to rethink policy. Caroline Ashley has nicely summarized the emerging issues in rural development as indicated in the box 1.

Box 1: Emerging issues in rural development

- 1) **The paradox:** the majority of the rural poor still live in rural areas, and yet donor support for agricultural and other rural development has slumped.
- 2) **A diminishing urban-rural divide:** rural and urban livelihoods are inter-dependent, and there is rarely a sharp geographical divide between rural and peri-urban. Rural development strategies must take account of the urban links and context.
- 3) **Diversified livelihoods.** There are few full-time farmers now, as households pursue multi-functional and multi-spatial livelihoods: support to the non-farm rural economy and to migration is as important as agricultural support.
- 4) **Small-holder farming in less-favored areas faces new challenges:** more households consist of part time farmers, work smaller plots and are headed by the elderly, young and women, so face severe credit and input constraints; access to subsidies and extension services has diminished; market changes increase the need for specialist techniques, quality control, information-intensive technologies and marketing involving high transaction costs – factors which provide larger farms with economies of scale. Targeted assistance is needed where small-scale farming can be competitive; otherwise small farmers need good exits from farming.
- 5) **Reverse state compression:** a strong state is needed to underpin the market and enable private sector development. Public interventions are needed to increase access to new opportunities (agricultural or non farm) specifically by the poor, and to establish the institutional framework for effective market development.

- 6) **Technological targeting:** production increases based on the seed-fertiliser model of the Green Revolution have slowed. New technologies are likely to be more crop and region specific, and information-intensive. Technical change is biased against the poor. Policies to target technologies need to be location specific. Public intervention is particularly required in developing technologies and information channels appropriate to poor farmers.
- 7) **Rethinking institutional capacity and governance:** many recommended measures for rural development cannot be effective without significant capacity building and institutional support. In some areas, decentralisation should be promoted to reinforce positive trends for increased accountability. But in some areas, states are dysfunctional (eg conflict zones), or crippled (high cancer incidence e.g. Punjab), and second best solutions would be more effective than attempts at business as usual.
- 8) **Growing divergence between low and high potential areas:** less favored (low potential) areas have very different needs to (high potential) areas where modernisation is already underway. They generally still need agriculture-based development, are least likely to gain from globalisation opportunities, and will generate lower returns because of their inherent disadvantages (remoteness, poor soils etc). Policy must adapt to context.
- 9) **Rural risks and vulnerability:** the rural poor face new risks due to increasing natural disasters and rapid economic change. External support for risk-mitigation and coping strategies is generally insufficient. Public and private roles in supporting insurance and risk-coping need to be strengthened, which in turn depends on the fiscal burden being addressed.
- 10) **Preventing and managing conflict:** conflict has a debilitating impact on rural livelihoods, and increasing levels of conflict threaten the achievement of poverty reduction targets. Donors will need to escape from the conceptual and programmatic constraints of a linear approach to relief and development.
- 11) **Aid modalities:** as a topic, rural development fits well with ideas about the Comprehensive Development Framework and with Poverty Reduction Strategy Papers. However, it does not sit so well with Sector Wide Approaches, which are hard to implement in the agricultural sector. There will be real problems in reaching the rural poor in poorly performing countries.

Source: Caroline Ashley, ODI

1.7 LET US SUM UP

Rural Development which is concerned with economic growth and social justice, improvement in the living standard of the rural people by providing adequate and quality social services and minimum basic needs becomes essential. The present strategy of rural development mainly focuses on poverty alleviation, better livelihood opportunities, provision of basic amenities and infrastructure facilities

through innovative programmes of wage and self-employment. The above goals will be achieved by various programme support being implemented creating partnership with communities, non-governmental organizations, community based organizations, institutions, PRIs and industrial establishments, while the Department of Rural Development will provide logistic support both on technical and administrative side for programme implementation. Although the subsequent plan periods have addressed different components of rural development, the Eleventh Plan (2007-2012) has targeted rapid and inclusive growth as its priority. The main emphasis is on the Social sector and delivery of services therein. Education, in particular, has been accorded utmost priority during the 11th Five Year Plan period. Adequate provision has been made for the state share in continuing Centrally Sponsored Schemes like *Swarna Jayanti Gram Swarozgar Yojana* (SAGSY), *India Awas Yojana* (IAY), Integrated Waste Land Development Programme (IWDP), Drought Prone Area Programme (DPAP), Mid Day Meal Scheme, DRDA Administration and National Rural Employment Guarantee Scheme (NREGS).

1.8 REFERENCES AND SELECTED READINGS

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1.9 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress 1

1) How would you define rural development?

Answer: The over all development of rural areas (Rural areas are those which are not classified as urban areas. They are outside the jurisdiction of municipal corporations and committees and notified town area committees) with a view to improve the quality of life of rural people. In this sense, it is a comprehensive and multidimensional concept and encompasses the development of agriculture and allied activities - village and cottage industries and crafts, socio-economic infrastructure, community services and facilities, and above all, the human resources in rural areas.

2) Discuss the dynamics of rural development.

Answer: Past narratives of rural development have included 'Community

Development', 'the Green Revolution' and 'Integrated Rural Development'. Current narratives include 'a new, doubly-green revolution', 'sustainable agriculture', 'rural livelihoods', promotion of programmes that draws rural investments, growth of rural financial institutions and development of rural enterprises. Embedded in these narratives are the critical choices about rural development policy: state or market; growth or stability; agriculture or non-agriculture; high or low potential areas; expenditure on investment or consumption etc. Different narratives will apply in different places, but all need to be consistent with current thinking on development. All these are the dynamics of rural development.

Check Your Progress 2

- 1) Enumerate the various sectors emphasized by the Government of India for the development of rural areas?

Answer: Broadly the following sectors have been emphasized by the Government of India for the development of rural areas:

- i) Rural Poverty Alleviation and Employment; ii) Rural Housing; iii) Rural Road; iv) Rural Sanitation; v) Rural Education; vi) Rural drinking Water; vii) Rural Energy; viii) Rural Food Security; ix) Rural Health
- 2) Discuss the various programmes under rural housing.

Answer: The rural housing programmes were initiated for providing various kinds of support for construction of rural shelter and housing facilities. Following three are the programmes under rural housing:

Indira Awaas Yojana:- It was initiated with a view to meeting the housing needs of the rural poor; It aims at helping below poverty line rural households belonging to SCs/STs, free bonded labourers, widows of next of kin of defense personnel, ex-servicemen and retired members of the paramilitary forces and also non SC/ST rural poor by providing them with grant-in-aid for construction of new dwelling units and up gradation of existing unserviceable *kutch* houses.

Credit cum Subsidy Scheme:- The Credit-cum-Subsidy Scheme has been conceived for rural households having an annual income up to Rs. 32,000/- . Subsidy up to Rs. 10,000/- and loan up to Rs. 40,000/- from commercial or co-op. banks is provided to eligible households for construction of houses.

Innovative Stream for Rural House and Habitat Development Scheme:- This scheme intends to popularize low cost technology and usage of locally available materials in construction of buildings in rural areas. Innovative technology is adopted for the rural house type design in the scheme.

Samagra Awaas Yojana:- This is a comprehensive Housing Scheme with a view to ensuring integrated provision of shelter, sanitation and drinking water. This is being implemented in one block each off 25 districts of 24 States and one UT.

UNIT 2 AGRICULTURE AND RURAL ECONOMY

Structure

- 2.1 Introduction
- 2.2 Role of Agriculture in Indian Economy
- 2.3 Trends in Agricultural Growth in India
- 2.4 Land Reforms and Agriculture Development
- 2.5 Agricultural Inputs- Water, Seed and Fertilizers
- 2.6 National Agricultural Policy (2000)
- 2.7 Let Us Sum Up
- 2.8 Further Suggested Readings and References
- 2.9 Check Your Progress-Possible Answers

2.1 INTRODUCTION

India is primarily an agrarian economy. Most of its population (72%) stays in rural areas. Agriculture is the major source of their livelihood. Other allied activities like dairy, fishery, goatery, piggery and poultry provide supplemental income to rural households. Development of agriculture is essential not only for promoting rural development but also for overall economic development of the country. Growth of agriculture is the key to eradicate rural poverty and ensure food security.

After studying this unit, you should be able to:

- Discuss the importance of agriculture sector in economic development of India
- Describe the trends in agricultural growth rate in crop yield in India
- Critically examine the objectives, features and effectiveness of various land reform measures undertaken by the Government
- Describe the role of agricultural inputs such as irrigation, seed and fertilizers increasing agricultural productivity and government programmes to enhance their use
- Assess the National Agricultural Policy 2000 highlighting its merits and demerits

2.2 ROLE OF AGRICULTURE IN INDIAN ECONOMY

As you know Agriculture plays an important role in the development of Indian economy. Still the Indian economy particularly the rural economy is pre-dominantly agricultural. Some of the contributions of agriculture to the development of Indian economy are described below:

i) Contribution to National Income

Agriculture sector forms the backbone of the Indian economy. The contribution of agriculture to national income is nearly 24 per cent. Over the years, the share of agriculture in national income shows a declining trend. It has been decreasing from 56.5% in 1950-51 to 52.1% in 1960-61, 45.7% in 1970-71, 39.6% in 1980-81, 33% in 1990-91, 24.2% in 2000-01.

ii) Source of Livelihood

While the share of agriculture in national income has been substantially declining, the percentage of work force engaged in agriculture has exhibited a marginal decrease. Data furnished by Census of India reveals that in 1961, as high as 75.9% of main workers were engaged in agriculture, which declined to 69% in 1981 and 59.9% in 2001 (Table 2.1). In advanced countries like United Kingdom and United States, only 2 to 3 per cent of working population is engaged in agriculture. In France, the proportion is about 7% and in Australia about 6%. Only in backward and less developed countries, agriculture is the major source of livelihood for a significant proportion of working population. However, the agricultural labour force in India is gradually declining. It has been declined by 30.57 million from the year 2004-05 to 2011-12 (Table-2.1).

Table 2.1: Employment of Main Workers in Agriculture
(in million)

	1951		2001	
	Total	Percentage	Total	Percentage
Total Population	361	100	1027	100
Rural Population	299	83	742	72
Cultivators	70	50	128	32
Agricultural Labourers	27	20	107	27
Other Workers	43	30	167	41
Total Working Population	140	100	402	100

Table 2.2: Agriculture Labour (Million)

State	Agricultural labour (Million)		Reduction(Million)
	2004-05	2011-12	
Uttar Pradesh	43.30	34.83	8.47
Karnataka	17.60	12.91	4.69
West Bengal	15.50	11.79	3.71
Bihar	21.30	17.67	3.63
Rajasthan	17.40	13.83	3.56
Others	143.83	137.31	6.52
Total	258.93	228.36	30.57

Source: <http://ficci.in/spdocument/20550/FICCI-agri-Report%2009-03-2015.pdf>

iii) Role in Industrial Development

The linkage between industrial and agricultural sector is well recognized by the economists. The role of agriculture is highlighted as (i) supplier of wage goods to the industrial sector, (ii) provider of raw materials to agro-based industries like sugar, textiles, jute etc., and (iii) generator of agricultural income that creates demand for industrial products.

Many of our small scale and cottage industries like handloom weaving, oil crushing, rice husking etc. depend upon agriculture for their raw materials. Together, these industries account for 50% income generated in the manufacturing sector in India. In recent years, the importance of food processing industries is being increasingly recognized both for generation of income and creation of employment.

Empirical findings by researchers indicate that a unit increase in agricultural output would have a positive effect on both industrial production and national income. Estimate by Rangarajan (1982) shows that a one per cent increase in agricultural output tends to raise industrial production by 0.5 per cent and augment national income by 0.7 per cent.

iv) Role of Agriculture in International Trade

Agriculture plays a very important role in Indian exports. Agricultural products like tea, sugar, oilseeds, tobacco, spices etc. constitute the main items of exports of India. The tenth plan estimates that agriculture contributes 14.7% of total export earnings. This has great significance for economic development as increased exports help the country to pay for the increased imports of machinery and raw materials.

v) Other Contributions

Importance of agriculture in the national economy is ascertained by its various roles in economic activities. Agriculture is the main support for India's road and railway transport. Railways and roadways secure bulk of their business from movement of agricultural goods. Internal trade is mostly in agricultural products. Agricultural growth and rising farm income has direct impact on poverty eradication, employment creation, and containing inflation.

Thus, agricultural development is central to the rapid economic development of India. Without agricultural development, Indian economy cannot prosper. Agricultural development should either precede or go hand in hand with industrial development to attain overall economic development of the country.

2.3 TRENDS IN AGRICULTURAL GROWTH IN INDIA

With the introduction of economic planning in 1950-51 and with the special emphasis on agricultural development, particularly after 1965:

- i) There was steady increase in area under cultivation;
- ii) There was a steady rise in average yield per hectare;

iii) There was increase in production of food grains

However, agricultural production is vulnerable to several climatic factors like occurrence of drought, flood, storm, cyclone etc. As nearly sixty per cent cropped area is rainfed, agricultural production is still a gamble in monsoon. Variability in quantum and timing of rainfall makes agricultural production uncertain. There are wide variations in agricultural production from year to year. For analysing the trend in agricultural growth, the post-independence period can conveniently be divided into pre green revolution and post green revolution period. In India Green Revolution refers to a distinct rise in agricultural production achieved since 1965 due to adoption of new agricultural strategy including use of irrigation, high yielding varieties of seeds and chemical fertilisers.

Table 2.3: Annual Growth Rate in Yield of Principal Crops since Independence

	Yield Rate per Hectare			Annual Growth Rate (%)	
	1949-50	1964-65	2000-01	1949-50 to 1964-65	1964-65 to 2001-02
1. All Food grains			1.4	2.4	
Rice (Quintals)	7.1	10.8	20.9	2.1	1.8
Wheat (Quintals)	6.6	9.1	27.7	1.3	3.2
Coarse Cereals (Qtls)	4.3	5.1	10.8	1.3	2.2
Pulses (Qtls)	5.1	5.2	6.1	0.2	0.1
2. All Non-food grains				0.9	1.6
Oilseeds (Qtls)	5.2	5.6	8.6	0.1	1.2
Sugarcane (Tonnes)	34	47	67	1.0	1.2
Cotton (Kgs)	95	122	189	2.0	1.5
Potato (Qtls)	66	84	180	1.6	3.1

Source: *Economic Survey, 2002-03*

During the pre-green revolution period, rice recorded the most impressive increase in yield rate from 7 quintals per hectare in 1949-50 to nearly 11 quintals by 1964-65. The annual rate of growth was 2.1 per cent. The growth rate of yield in case of wheat was 1.3 per cent per year, which was modest as compared to rice. Among the non-foodgrains, cotton and sugarcane recorded modest growth rate during this period.

During the post-green revolution period, wheat exhibited the most spectacular growth rate in yield (3.2% per annum). Potato too recorded an impressive growth rate of 3.1 per cent per year. Yield rate of wheat increased from 6.6 quintals in 1949-50 to as high as 27.7 quintals in 2000-01. On the other hand pulses recorded a growth rate of as low as 0.1 per cent per year and oilseeds a mere 1.2 per cent per year. This shows that the green revolution or the new agricultural strategy was effective in the case of cereal crops only mainly rice and wheat but not in other crops.

It is seen that gradually over the period of time, the contribution of agriculture to GDP has been declining. It has declined from 23.2 percent to 13.9 from the year 1999-00 to 2013-14.

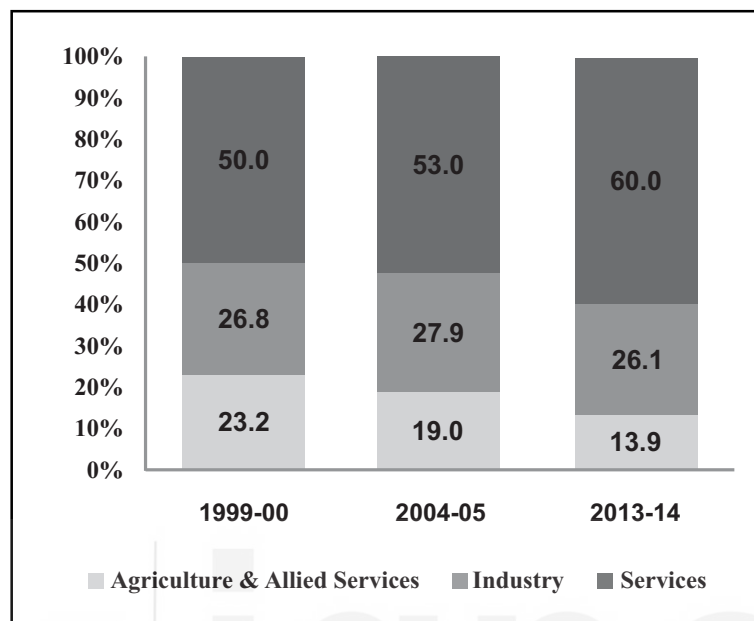


Figure-1: Contribution of Agriculture Sector to GDP

Source: Planning Commission, FCCI Research

2.4 LAND REFORMS AND AGRICULTURE DEVELOPMENT

Productivity of agriculture mainly depends on two types of factors: institutional and technological. Institutional factors refer to the land ownership and operation pattern that affect the incentive structure for agricultural production. These include size of land holding, extent of tenancy, terms and conditions of tenancy etc. The technological factors refer to the use of yield increasing agricultural inputs and methods of production such as irrigation, high yielding varieties of seeds, chemical fertiliser, improved agricultural implements like tractors, harvester, transplanter etc. To enhance agricultural productivity institutional as well as technological changes are necessary. The institutional changes that have been brought about in land ownership and operation pattern by various government measures are popularly known as land reforms.

2.4.1 Objectives of Land Reforms

Land reforms constitute an integral part of the scheme of agricultural development and rural reconstruction since the inception of economic planning in the country. As envisaged in the second five year plan, the objective of land reform was to create conditions for evolving as speedily as possible the agrarian economy with high levels of efficiency and productivity and to establish an egalitarian society and eliminate social inequalities. There are two major objectives of land reforms; (i) social justice (ii) economic efficiency. Social justice objective aims at eliminating all elements of exploitation and social injustice within the agrarian system so as to ensure equality of tenurial status and opportunity to all sections of rural population. Economic efficiency relates to organisational restructuring that optimise agricultural production. To achieve the twin objectives of efficiency

and equity in land use, the following land reform measures were undertaken by the Government:

- i) abolition of intermediaries
- ii) tenancy reforms, i.e. regulation of rent, security of tenure for tenants and conferment of ownership on them
- iii) ceiling and floor on land holdings
- iv) agrarian reorganisation including consolidation of holdings and prevention of sub-division and fragmentation
- v) organisation of cooperative farms

Basically land reform measures aim at alleviating rural poverty in the following manner:

- i) By distributing land among the landless by taking possession of surplus land from large land holders;
- ii) By providing security of tenure and ownership rights to tenants and sharecroppers and by regulating rent payable by them to landlords;
- iii) By protecting the interest of tribals in land and preventing non-tribals to encroach upon tribal lands;
- iv) By promoting consolidation of holding to improve the size of operational holdings thereby paving the way to raise productivity;
- v) By development of public lands thereby providing better access to the rural poor to obtain fuel wood and fodder;
- vi) By providing access to women to land and other productive assets;
- vii) By protecting homestead rights of the rural poor on lands owned by them and providing them with house sites to enable them to construct residential houses.

2.4.2 The Abolition of Intermediaries

Before independence the different types of land tenure systems prevalent in India can be grouped under three broad heads: Zamindari, Mahalwari and Ryotwari.

i) Zamindari Land Tenure

Under the zamindari system, which was introduced by Lord Cornwallis in 1793 in Bengal, the revenue collectors, who were the intermediaries between the actual cultivators and the government were conferred ownership rights on land. The actual cultivators became tenants, cultivating land on rent from the zamindars. The system was introduced by the East India Company to create a privileged and loyal class and avoid the hassle of collecting revenue from numerous small farmers. The zamindari system prevailed in Bengal, North Madras, Banaras, Orissa etc. The British Government explained that the zamindars represented the most enlightened section of the rural population and the conferment of tenurial rights could result in improvements on land and better agriculture. But these expectations were not fulfilled. With growing population and decaying village industries

under the British rule, the demand for land increased and the landlords charged excessive rents from the tenants. Thus, between the state and the actual tiller there grew an intermediary who was interested in land only to the extent of extraction of exorbitant rent. The landlords did not take any interest in improvement in agriculture and most of them were absentee landlords. The zamindars are known for their extravagance and conspicuous consumption. Thus, the rent extracted from the cultivators by the parasite landlords did not result in capital formation and there was stagnation in agriculture.

ii) Mahalwari Tenure

Under the mahalwari land tenure system, the village lands were held jointly by the village communities, the members of which were jointly and severally responsible for payment of land revenue. The system was first introduced in Agra and Oudh and later on in Punjab. The system is the product of Muslim tradition and development, particularly in Punjab. A certain sum is assessed as land revenue for the whole village for which the entire body of co-sharers are jointly and severally responsible. The village *lumberdar* collected revenue for which he received panchotra, i.e., 5 per cent as commission.

iii) Ryotwari Tenure

Under the Ryotwari tenure, land may be held in single independent holdings. The individual holders were directly responsible to the state for the payment of land revenue. The first ryotwari settlement was made in Madras in 1772. It was the product of Hindu tradition. This form of tenure was prevalent in Bombay, Berar and Central India. The ryot is at liberty to sub-let his land and enjoys a permanent right of tenancy so long as he pays the assessment of land revenue. Some elements of zamindari tenure appeared in this system, as the peasants could sublet their land.

The co-existence of zamindari, mahalwari and ryotwari land tenure systems led to an intermixing of characteristics. The three systems gravitated towards the tendencies of the zamindari system. Sub-letting, rack renting became a common characteristic even in ryotwari areas. Thus, on the eve of independence, on the one extreme there were landless labourers and tenants-at-will and on the other, were big landlords owning huge estates.

2.4.3 Abolition of Intermediaries Measures

The zamindari system was the product of British rule and proved harmful to agricultural development. Immediately, after attaining freedom, a strong voice was raised against the exploitative zamindari land tenure system. The system was considered economically inefficient, politically inexpedient and socially undesirable. The abolition of intermediaries started in 1948 with the enactment of legislation in Madras. Legislation was passed in all the states. As a result of conferment of rights, about 30 lakh tenants and sharecroppers acquired ownership rights over a total cultivated area of 62 lakh acres throughout the country.

2.4.4 Tenancy Reforms

Under the zamindari and ryotwari systems tenancy cultivation has been quite common in India. The small land holders or landless labourers having insufficient

land lease in land from zamindars to earn their livelihood. Sometimes tenants holding land from an intermediary may sub-let land. Broadly speaking, the tenants are grouped under three categories (i) Occupancy or permanent tenants, (ii) Tenants-at-will, and (iii) Sub-tenants. The rights of the occupancy tenants are permanent and heritable. They enjoy fixity of tenure which makes them the virtual owners of land. The only difference between the occupancy tenant and peasant proprietor is that the former is required to pay rent to the landlord and the latter to pay land revenue to the state.

The position of tenants-at-will and that of sub-tenants was extremely weak. They were subject to ruthless exploitation. Frequent enhancement of rent, eviction of tenants on minor pretexts, extractions and beggar were some of the popular ways of exploitation. Rents were extremely high. Fifty percent of the produce was the normal rent under sharecropping, which could be increased to two thirds on several occasions. This situation of exorbitant rent coupled with insecurity of tenure necessitated tenancy reforms. *Tenancy Reform Measures* Under the tenancy system, the land-poor tenants were exploited in several ways by the landlord class. Exorbitant rent and insecurity of tenure were the two major problems. The tenants took no interest to improve agriculture. Arthur Young rightly pointed out 'Give a man the secure possession of black rock, and he will turn it into a garden, give him a nine years lease of a garden, he will convert it into a desert'. In order to increase efficiency in agricultural production and reduce exploitation of tenants, tenancy reforms became inevitable in different parts of the country. The main tenancy reform measures are as follows:

i) Regulation of Rent

Before independence the rent for the use of land was as high as 50% to 70% of the gross produce. Besides, the tenant used to render certain free unpaid services to the landlord (begar). In most cases rent was paid in kind and not in cash. In the first Five Year Plan, it was laid down that rent should not exceed 20% to 25% of the produce of land. As a result most of the state governments enacted legislation regulating the rent payment by the tenant. In Gujarat, Maharashtra and Rajasthan, the rent was fixed 1/6 of the total produce, while in states like Orissa and Assam the rate varies from 20% to 25%. In Punjab and Haryana it is 1/3 of the gross produce. In Tamil Nadu it varies from 33.3% to 40%.

Owing to the weak position of tenants and the prevalence of widespread land hunger, the laws regulating rents are observed more in its breach than its compliance. As most of the tenants are poor, it is difficult for them to take the protection of law. The legal process is a costly affair and the tenant does not have the resources to go to court of law for redressal of his grievances.

ii) Security of Tenure

Without security of tenure, the tenant does not take any interest in any land improvement measures and fixed investment in land. Therefore, there is a need to grant security of tenure for providing incentives to the tenant to optimise production. The states have enacted legislation in the following manner

- a) All tenants have been given full security of tenure, without giving the owners the right of personal cultivation. Uttar Pradesh, West Bengal and Delhi belong to this category.
- b) Owners have been given the right to resume a limited area (not more than a family holding in any case) subject, however, to the condition that a minimum area is left with the tenant. Gujarat, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Himachal Pradesh, Assam and Punjab have enacted this type of legislation.
- c) A limit has been fixed on the extent of land which a land-owner may resume, but the tenant is not entitled to retain minimum area for cultivation in all cases. Jammu and Kashmir, Manipur, Tripura and West Bengal belong to this category.

iii) Conferment of Ownership Rights to Tenants

In order to give practical shape to the slogan 'land to the tiller', many states enacted laws to give the tenants cultivating the non-resumable land, a right to purchase the land that they cultivated. The provisions for purchase of land differed from state to state. In some states e.g., in erstwhile Bombay, Madhya Pradesh, Rajasthan, U.P., West Bengal, Delhi, Andhra Pradesh, ownership of non-resumable land was straightaway transferred to the tenants and they were asked to pay the compensation to the land owners. In some other states like Punjab and Bihar, however, it was left to the discretion of the tenant to purchase the land.

There is considerable inter-state variation in the compensation scheme as well. In some states like Assam, Bombay, Madhya Pradesh, Manipur and Tripura, compensation was fixed as a multiple of land revenue. In a few other states, e.g., Andhra, Kerala, Rajasthan and Karnataka, the compensation was fixed as a multiple of rent. In states like Orissa and Punjab, it was based on the average market price of the land. In West Bengal and U.P. it was computed based on net income derived from the use of land.

The implementation of tenancy reform measures is quite disappointing due to several loopholes in the tenancy laws. The shortcomings of tenancy reform measures are as follows:

- i) The tenancy reform laws have not been implemented in full spirit. Many officials themselves were land owners and they misinterpreted the laws in favour of the land owners.
- ii) The legal processes to enable cultivators to become owners were rigid and complex. The poor tenants did not have the resources to move to the court of law.
- iii) To get ownership right on tenanted land, the tenant was required to prove his continuous use of land for cultivation purpose. The tenants found it difficult to prove this claim.
- iv) The landowners evicted the tenants on the ground of resumption of land for self cultivation.

2.4.5 Ceiling on Land Holdings

Land reform measures in India stipulated that beyond a certain specified limit, excess land belonging to the landlords would be taken over by the state and allotted to small farmers to make their land holdings economically viable or to landless labourers to provide them means of livelihood. D.R.Gadgil justifying a ceiling on land owned by an individual observed that :

“Among all resources, the supply of land is the most limited and the claimants for its possession are extremely numerous. It is, therefore, obviously unjust to allow the exploitation of any large surface of land by single individual unless other overwhelming reasons make this highly desirable. Moreover, in the context of the current socio-political climate, redistribution of land would rather appear to be imperative”.

Objectives of Ceiling:

- 1) To reduce inequality in land ownership
- 2) To create self-employment
- 3) To transfer land to the tiller
- 4) To eliminate exploitation and create opportunities for all

Exemption from Ceiling

The following types of land have been exempted from the purview of ceiling legislation:

- 1) Tea, coffee and rubber plantation
- 2) Sugarcane farms operated by sugar factories
- 3) Orchards and specialised farms engaged in cattle breeding, dairying and wool raising etc.
- 4) Efficiently managed farms on which heavy investment had been made and whose break up was likely to lead to a fall in production.

Policy on Ceiling on Holdings

In July 1972, in the conference of Chief Ministers, the following guidelines were issued for implementation of ceiling on land:

- 1) Unit of application should be the family as a whole for determining land holding.
- 2) In case the family size exceeds five, additional land may be allowed for each member in a way that in no case, it may exceed twice the ceiling limit.
- 3) The ceiling for a family of five may be fixed within the range of 10 to 18 acres of irrigated land and 54 acres of dry unirrigated land.
- 4) Each major child is to be treated as a separate unit.
- 5) Exemption in favour of mechanised and well managed farms should be withdrawn.
- 6) Ceiling may be fixed according to crops grown in the area.

The progress of the implementation of ceiling on land holdings is very poor. In early sixties, out of 30 lakh acres of land, only 21 lakh acres have been distributed among the tenants and landless labourers. In 1972, 60 lakh acres have been declared surplus under the revised land ceiling and 20.05 lakh acres has been distributed among 14.5 lakh eligible families of landless agricultural workers.

In spite of the above achievement, the progress is not satisfactory for the following reasons:

- 1) Delay in adoption of legislation and malafide transfers and resumption for personal cultivation.
- 2) Vague and ambiguous definition of a family.
- 3) Time lag between passing an act and its implementation.
- 4) Range of ceiling varied from state to state.
- 5) Lack of political will.
- 6) Law of exemption and compensation has been highly abused and lacks universal applicability.

2.4.6 Consolidation of Land Holdings

Sub-division and fragmentation of land holdings are major reasons for low agricultural productivity in India. Sub-division of land takes place when ancestral land is divided among the heirs according to Hindu law of inheritance. Fragmentation refers to scattering of land of a household in different places. Consolidation of holding aims at bringing together the landholding of a household in a compact block. In India, consolidation of holding has been adopted to restrict sub-division and fragmentation. It promotes efficiency and economy in cultivation. To get the benefits of large scale farming, it was essential to consolidate the scattered plots in compact block. In pre-independence period, legislation for consolidation of holding was made in 1905 for consolidation on voluntary basis. Later on, similar measures were enacted in Punjab under the Co-operative Societies Act 1912 and United Provinces in 1925-26. During the period 1920-40, many provinces like Central Province, Bihar, Jammu and Kashmir also made efforts to consolidate holdings. After independence, compulsory consolidation was replaced by voluntary consolidation in almost all states. The National Commission on Agriculture also recommended that consolidation of ownership land holding should be made compulsory in all areas of the country. Consolidation of land holding enables proper supervision of crops, enlargement of size of holding, better irrigation facility and increases agricultural production. By the end of the 6th five-year plan, laws for consolidation of holding had been passed in many of the states.

Consolidation has been completed in Punjab, Haryana, Bihar, Gujarat, Himachal Pradesh and Jammu and Kashmir. Work is in progress in states like Madhya Pradesh, Orissa and Maharashtra. Only 35% of the total cultivated area in India is consolidated. The consolidation work has not made much headway in many states due to lack of cooperation of farmers. The small farmers fear that they may not get a fair deal at the hands of the authorities responsible for consolidation of holding. Sometimes fragmentation of holdings saves the farmer from complete ruin due to flood, storm and other natural calamities by spreading risk.

2.4.7 Co-operative Farming

Co-operative farming refers to an organisation of cultivators of land on the basis of common efforts for common interests. According to Nijalingappa Committee, it is a voluntary organisation of the farmers in which the manpower, land and other means of production are pooled in order to put them into a better and fuller utilisation. Planning Commission of India considers co-operative farming as unification of land and joint management. The following are the important features of co-operative farming:

Features of Co-operative Farming

- 1) The land is cultivated as one single unit.
- 2) The holdings of all member farmers are pooled.
- 3) Each member remains the owner of the land but the right of cultivation is surrendered by him to society.
- 4) Supervision and control over management of the farm strictly remains in the hands of the society.
- 5) The society is responsible for the sale of total produce.
- 6) Each member gets share of profit in accordance to his land.

2.4.8 Problems in Implementation of Land Reform Programmes

The principal reasons for slow progress in implementation of land reform measures are (i) lack of political will, (ii) absence of pressure from below as the poor peasants are passive, unorganised and inarticulate, (iii) apathetic attitude of the bureaucracy, (iv) absence of up-to-date land records, (v) legal hurdles in the way of implementation.

Giving an overall assessment of the land reform measures, the Sixth Plan (1980-85) mentions 'If the progress of land reforms has been less than satisfactory, it has not been due to flaws in policy but to indifferent implementation. Often the necessary determination has been lacking to effectively undertaking action, particularly in the matter of implementation of ceiling laws, consolidation of holdings and in not so vigorously pursuing concealed tenancies and having them vested with tenancy/occupancy rights as enjoined under the law.'

2.4.9 Suggestions for Improvement

The following suggestions are made for improving the implementation of land reform programmes.

1) Distribution of Ceiling Surplus Land

Excess land taken over from big landholders should be distributed expeditiously to marginal farmers and landless labourers. To assist the land reform beneficiaries, there is a strong need to link them to various employment and poverty alleviation programmes for timely supply of inputs and investments.

2) Computerisation of Land Records

Priority should be given to preparation, maintenance and computerisation of

land records. All tenants including sharecroppers should be identified and their rights should be recorded and permanent heritable rights should be conferred on them on the lines of “Operation Barga” implemented by the West Bengal Government in a mission mode. Certified extract of the record should be issued in the form of updated ‘Farmers’ Passbook’.

3) **Redefinition of Personal Cultivation**

The definition of personal cultivation should give stress on the following points that the person claiming to be in cultivation; (a) He must cultivate his own land by his own labour or by the labour of any member of his family; (b) He or member of his family should reside for the greater part of the year in the locality where the land is located; and (c) Cultivation should be the main source of his income.

4) **Restriction on Conversion of Agricultural Land**

There should be restriction on transfer of agricultural to a non-agriculturist.

5) **Liberalising Leasing of Land**

Leasing of land should not be banned. Cultivation of land on lease provided source of livelihood to the land-poor households. The terms and conditions of tenancy should be regulated and tenancy contracts should be recorded.

6) **Awareness Creation about Land Acts**

In order to popularise the laws relating to land reforms, there should be comprehensive publicity of such laws among the rural people. These laws should be published in regional languages and be distributed to rural people by Block Development Officials. This sort of publicity would arouse consciousness of the farmers about their rights and duties related to land reform measures.

7) **Legal Support**

The poor peasants may be provided legal aid up to the level of Supreme Court. The Lok Adalats should be empowered to dispose of land reform litigations along with prompt disposal of cases by rural courts i.e. Nyaya Panchayat/Rural Nyayalaya.

In these sessions you read about the role of agriculture in development, and the land reform in India and now answer the questions given in Check Your Progress-1

Check Your Progress 1

- Note:** a) Answer the following questions in about 50 words.
b) Check your answer with possible answers given at the end of the unit.

- 1) Discuss the importance of agriculture in economic development of India.

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2.5 AGRICULTURAL INPUTS- WATER, SEED AND FERTILIZER

Agricultural productivity can be increased by institutional restructuring and use of improved inputs or methods of production. The green revolution that took place in India during mid 1960s was primarily due to use of irrigation, chemical fertilisers and high yielding varieties of seeds. Therefore, this strategy was popularly known as seed-water-fertiliser technology. Various aspects with respect to use of yield enhancing inputs like irrigation, better seeds and fertilisers are discussed in the following sections.

2.5.1 Irrigation

Water is a critical input required for agricultural production. In areas where rainfall is abundant and well-distributed over the years, there is no problem of water. But in arid and semi-arid areas where rainfall is scanty and uncertain, irrigation is highly essential for crop production. As Indian agriculture is dependent on monsoon, the quantum and timing of rainfall is quite uncertain. There are large spatial and temporal variations in rainfall. Uncertainty and deficient rainfall calls for irrigation for cultivation of crops. Irrigation is nothing but artificial application of water for plant growth. Use of irrigation enables the use of other yield stimulating inputs like high yielding varieties of seeds, chemical fertiliser and farm yard manure. Irrigation enhances agricultural production by increasing yield rate, raising the number of crops raised in a year and diversifying the cropping pattern in favour of cash and remunerative crops. These three effects are otherwise called as (i) Pure yield effect, (ii) Intensity effect (iii) Cropping pattern effect.

i) Investment in Irrigation

From the very inception of planning and during subsequent Five Year Plans, huge investments have been made in irrigation projects to increase agricultural production and to make India self sufficient in food grain production. During the 50 years since independence, the Government of India had invested nearly Rs.231, 400 crore (at 1996-97 prices) on major, medium and minor irrigation projects. As a result, the country's irrigation potential has increased from 22.6 million hectares in the pre-plan period during 1950-51 to 89 million hectares at the end of 1996-97. India has the largest irrigated area in the world. This has significantly contributed to enhance agricultural production from 51 million tonnes in 1950-51 to 203 million tonnes in 2001-02.

ii) Sources of Irrigation

Irrigation water is provided from varied sources such as canal, well, tube well, tanks etc. Since the inception of first five year plan in 1951, considerable emphasis has been placed on development of canal irrigation. Canal irrigated area has increased from 8.3 million hectares in 1950-51 to 17.1 million hectares in 1996-97. However, its relative importance has decreased from 40% to 32% (Table 2.3).

Area irrigated by well and tube well has increased from 6 million hectares to 31 million hectares during 1950-51 to 1996-97. During this period, the percentage of well irrigated area has increased substantially from 29% to 56%. The growth of well irrigation has been at the expense of tank irrigation and irrigation from other sources. The share of tanks in total irrigated area has declined from 17% in 1950-51 to 6% in 1996-97 (Refer to Table 2.3).

As a consequence of irrigation development the percentage of cropped area under irrigation has increased from 17% to 39% during 1950-51 to 1999-2000.

Table 2.3: Area Irrigated by Source in India

Sources of Irrigation	1950-51		1996-1997	
	Area (million ha)	Percentage	Area (million ha)	Percentage
Canals	8.3	40	17.4	31.7
Wells & tube wells	6.0	29	30.8	55.9
Tanks	3.6	17	3.3	5.9
Other sources	3.0	14	3.6	6.4
Total	20.9	100	55.1	100.0

Source: Statistical outline of India, 2000-01

iii) Irrigation Potential

The planning commission of India has adopted the following classification of irrigation schemes on the basis of area irrigated:

- Major Irrigation Schemes: Those with culturable command area (CCA) more than 10,000 hectares.
- Medium Schemes: Those with culturable command area (CCA) between 2000 and 10,000 hectares.
- Minor Schemes: Those with culturable command area (CCA) upto 2000 hectares.

During the initial year of first five year plan i.e. 1951, the irrigation potential created through major and medium schemes was about 10 million hectares and from minor irrigation works was 13 million hectares. By 1999-2000, the total irrigation potential created increased to 94 million ha. Recently the Ministry of Water Resources has estimated that India's ultimate irrigation potential from major and medium schemes would be 59 million ha and minor works would contribute 81 million ha adding up to a total of 140 million ha.

Unfortunately, the irrigation potential created over the years has not been fully utilised. The gap between the potential created and actually utilised has widened over the years. Nearly 10 per cent of potential created has been remaining unutilised. The reasons for non-utilisation of created irrigation potential are: (i) delay in the construction of field channels, drains, land levelling/shaping, (ii) cultivation of water intensive crops by farmers, (iii) excess use of water by the farmers in the head reach of canal, (iv) conveyance loss of water due to seepage (v) siltation (vi) lack of proper operation and maintenance of irrigation physical structures.

In order to narrow the gap between potential created and its utilisation, the Government of India started the Command Area Development (CAD) Programme during 1970s. The basic objective of CAD programme is to maximise productivity in the irrigation command area through an integrated approach through on farm development (OFD) works. OFD works include construction of field channels and field drains, land levelling, land shaping, introduction of rotational water supply to ensure equitable and assured distribution of water to individual land holdings. CAD programme also aims at promoting farmers participation in irrigation management. The CAD programme has not been successful in achieving equity and efficiency in irrigation use.

For optimal utilisation of irrigation, recently emphasis is laid on minor irrigation schemes using ground water sources. Minor irrigation works are relatively less capital intensive and do not take long period to complete construction. Controlled irrigation is possible in case of minor irrigation. Minor irrigations works are usually taken up by private individuals. Thus expansion of minor irrigation depends on farmer's perception of profitability, easy and cheap availability of facilities such as electricity, diesel, construction material, credit etc. Government is required to provide necessary support for promotion of minor irrigation schemes on private initiative.

iv) Irrigation Development Programmes

The Government of India has taken up irrigation potential creation through public funding and is assisting farmers to create potential on their own farms. Substantial irrigation potential has been created through major and medium irrigation schemes. The total irrigation potential in the country has increased from 81.1 million ha in 1991-92 to 102.77 million ha by 2007. Important government programmes under implementation are as follows:

a) Accelerated Irrigation Benefit Scheme

The Central Government initiated the Accelerated Irrigation Benefit Programme (AIBP) from 1996-97 for extending assistance for the completion of incomplete irrigation schemes. Under this programme, projects approved by the Planning Commission are eligible for assistance. Further, the assistance, which was entirely a loan from the Centre in the beginning, was modified by inclusion of a grant component with effect from 2004-05. AIBP guidelines were further modified in December 2006 to provide enhanced assistance at 90 per cent of the project cost as grant to special category States, Drought Prone Area

Programme (DPAP) States/tribal areas/flood-prone areas and Koraput-Balangir-Kalahandi (KKB) districts of Orissa. Under the AIBP, Rs 34,784 crore of Central Loan Assistance (CLA)/grant has been released up to 2009. An additional irrigation potential of 56 lakh ha has been created under the AIBP up to 2009. As on March 31, 2009, 268 projects have been covered under the AIBP and 109 completed.

b) Rural Infrastructure Development Fund

National Bank for Agriculture and Rural Development (NABARD) has set up Rural Infrastructure Development Fund (RIDF) under which loans are granted to states for speedy completion of minor irrigation projects.

c) Participatory Irrigation Management Programme

During the last two decades India has undertaken path breaking reform measures in irrigation sector to ensure efficiency in water use, equity in water distribution and sustainability of the irrigation systems. Until 1990s major and medium irrigation projects in India had remained state owned, state funded managed by a government department by a hierarchical bureaucracy in a top down manner without any participation of farmers. Recently emphasis has been laid on participation of farmers in all aspects of planning, development and management of water resources. Many states in India have implemented Participatory Irrigation Management (PIM) mostly under economic restructuring programme with financial assistance from international development organisations like World Bank, Department for International Development (DFID), UK, Asian Development Bank, and European Commission. Farmers have been organised to form Water Users' Associations (WUAs) to take over the responsibility of operation and maintenance, distribution of water among water users and collection of water charges. Though thousands of WUAs have been formed across India, their functional efficiency is questionable. The implementation of PIM in India has been observed to be beset with many difficulties due to heterogeneity of farmers, capture of power by rural elites, political interference, half-hearted support of irrigation bureaucracy, physical system inefficiency, inadequate capacity building and lack of enough incentives.

2.5.2 Seeds

Seeds are considered as the carriers of new technology for crop production and higher crop yields. Improved seeds are a critical input for sustained growth of agriculture. In India, more than four-fifths of the farmers rely on farm-saved seeds leading to a low seed replacement rate. Production of quality seeds and distribution of new improved plant varieties constitute an important component of Government's agricultural policy.

A number of high yielding varieties (HYV) of rice and wheat, hybrids of maize, jowar and bajra have been introduced. The HYV programme was started in 1966. By 1997-98 a total of 70 million ha of land was covered by HYV.

The organised seed sector particularly for food crops and cereals is dominated by the public sector. The Government is putting emphasis on (i) research in

evolving better seeds suitable to Indian condition, (ii) larger production and better distribution of quality seeds, (iii) provision of adequate credit facilities to enable even the poorest farmers to purchase and use quality seeds, and (iv) expansion of irrigation, fertiliser and pesticides which are necessary for efficient use of quality seeds.

With the introduction of HYV programme, the need for increasing production of quality seeds has increased considerably. The Government set up National Seeds Corporation (NSC) in 1963 and the State Farms Corporation of India (SFCI) in 1969, to produce and supply quality seeds. There are also private firms who multiply foundation seeds and certify quality seeds under the prescribed quality control arrangements.

Government Seed Policy and Programme

The Indian Seed Programme includes the participation of Central and State Governments, the Indian Council of Agricultural Research (ICAR), the State Agricultural Universities, the cooperative and private sectors. There are 15 State Seed Corporations besides two national-level corporations, namely National Seeds Corporation and State Farms Corporation of India. The Ministry of Agriculture is implementing the Central-sector Development and Strengthening of Infrastructure Facilities for Production and Distribution of Quality Seeds scheme. The aim of the scheme is to make quality seeds of various crops available to farmers timely and at affordable price. Under this scheme, the seed component of the Prime Minister's Relief Package is being implemented in 31 suicide-affected districts of Maharashtra

a, Andhra Pradesh, Karnataka and Kerala, to supply certified seeds at 50 per cent of seed cost. During the year 2008-09, Rs. 445.81 crore was released under the Prime Minister's Relief Package. The scheme is being implemented on all-India basis from the year 2005-06. The major thrusts under the scheme are on improving quality of farm saved seeds through Seed Village Programmes to enhance seed replacement rate, boosting seed production in the private sector and helping public sector seed companies to contribute to enhancing seed production. Some of the remarkable achievements under the scheme during 2008-09 were that more than 25,000 seed villages were organized across the country; certified/quality seed production increased from 194.31 lakh quintals during 2006-07 to 250.35 lakh quintals during 2008-09; 52 seed infrastructure development proposals were sanctioned for boosting seed production in the private sector; and financial sanctions were given for establishing tissue culture facilities in Orissa (banana) and Maharashtra (pomegranate). Further, Biotech Consortium of India Limited (BCIL) was engaged as an expert agency to undertake public awareness programmes in nine BT cotton-growing States at State capital, district and tehsil levels. The BCIL has been provided financial assistance of Rs. 26.65 lakh during the year 2008-09. The Protection of Plant Varieties and Farmers' Rights (PPV&FR) Authority was established in November 2005 at the National Agricultural Science Complex (NASC), New Delhi. NASC has been mandated to implement provisions of the PPV&FR Act 2001. Fourteen crops, namely rice, wheat, maize, sorghum, pearl millet, chick pea, pigeon pea, green gram, black gram, lentil, field pea, kidney bean, cotton and jute were notified for the purpose of registration under the Act. There are plans to extend its operations and coverage to forestry and aromatic and medicinal plants.

Considering the vital importance of the seeds sector in promoting agricultural growth, it is proposed to replace the existing Seeds Act 1966 by suitable legislation. The new Act is expected to (i) create a facilitative climate for growth of the seed industry, (ii) enhance seed replacement rates for various crops, (iii) boost the export of seeds and encourage import of useful germ plasm and (iv) create a conducive atmosphere for application of frontier sciences in varietal development and for enhanced investment in research and development (R&D).

2.5.3 Fertilisers

Chemical fertilisers have played a significant role in the development of the agricultural sector. With fast growing population and limited land resources, the use of fertilisers will play the key role in increasing agricultural productivity. The new agricultural strategy that was adopted during 1966 to boost agricultural production was based on increased use of fertilisers. The per hectare consumption of fertilizers in nutrients terms increased from 105.5 kg in 2005-06 to 128.6 kg in 2008-09. However, improving the marginal productivity of soil still remains a challenge. This requires increased NPK application and application of proper nutrients, based on soil analysis. The application of quantum of fertiliser is quite low in comparison to international figures. The reasons for low use of fertilisers are as follows:

- i) Absence of assured supply of water in many parts of India acts as a hindrance to increase use of fertilisers. Availability of water is a pre-condition for use of chemical fertilisers.
- ii) As a majority of cropped area in India is rainfed, consumption in these areas is low.
- d) Government provides a lot of subsidy on fertilisers, which is a drain on national resources. Most of the subsidy on fertiliser is cornered by the large farmers. Government is gradually reducing subsidy, which has resulted in significant increase in price of fertilisers.
- e) Government imports fertilisers to meet domestic demand. As there has been a sharp increase in international prices of fertilisers, Government is encouraging use of organic manure, which is environment friendly.

Government Measures

The Government has taken a number of measures to improve fertilizer application in the country. A new scheme, the National Project on Management of Soil Health & Fertility (NPMSF), has been introduced in 2008-09 with a view to setting up of 500 new Soil Testing Laboratories (STLs) and 250 Mobile Soil Testing Laboratories (MSTLs) and strengthening of the existing State STLs for micronutrient analysis. In order to ensure adequate availability of fertilizers of standard quality to farmers and to regulate trade, quality and distribution in the country, fertilizers have been declared an essential commodity as per the Fertilizer Control Order (FCO) 1985 promulgated under Section 3 of the Essential Commodity Act 1955. The procedure for incorporation of new products has been liberalised and simplified to encourage manufacture and use of fortified fertilizers. Eight fertilisers have been specified as fortified fertilisers in FCO 1985. To encourage balanced use of fertilisers, a new concept of customized fertilisers has been introduced. These fertilisers are soil specific and crop specific. Organic

fertilisers, namely city-based compost and vermin compost, and bio-fertilisers, namely rhizobium, azotobacter, azospirillum and phosphate solubilising bacteria, have been recognized and incorporated in FCO 1985. In spite of several measures undertaken by the Government, the use of fertiliser is considered very low in India. It is necessary to promote increased use of proper fertilisers in accordance with soil characteristics through improved delivery services to increase agricultural yield.

In these sessions you read about the role of agricultural input in agriculture development and now answer the questions given in Check Your Progress-2

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Describe the government measures to develop irrigation in India.

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2.6 NATIONAL AGRICULTURAL POLICY (2000)

In the post liberalisation period especially during the nineties the growth rate of agriculture was very low hovering around only 2% per annum. This became a matter of great

concern to the Government of India. The Government declared the National Agricultural Policy in 2000 to accelerate agricultural growth. The Policy aims to achieve the following objectives:

- i) A growth rate of 4 per cent per annum in the agriculture sector;
- ii) Growth that is based on efficient use of resources and conservation of our soil, water and bio-diversity;
- iii) Growth with equity i.e. growth which is widespread across regions and farmers;
- (iv) Growth that is demand driven and caters to domestic markets and maximises benefits from exports of agricultural products in the face of challenges from economic liberalisation and globalisation;
- v) Growth that is sustainable technologically, environmentally and economically.

2.6.1 Sustainable Agriculture

The policy supports technically sound, economically viable, environmentally non-degrading, and socially acceptable use of country's natural resources to promote sustainable agriculture. For this purpose the following measures are suggested:

- i) To contain biotic pressures on land and to control indiscriminate diversion of agricultural lands for non-agricultural uses
- ii) To use unutilised wastelands for agriculture and afforestation
- iii) To increase cropping intensity through multi-cropping and inter-cropping
- iv) To vigorously pursue a long-term perspective plan for sustainable rainfed agriculture through watershed approach for development of two-third of India's cropped area, which is dependent on rains.
- v) To emphasise rational use of surface and ground water, so that the receding ground water levels in certain areas due to over-exploitation of available water resources can be checked. To use better technologies like drip and sprinkler irrigation system so as to make more economic and efficient use of water.
- vi) Involvement of farmers and landless labourers will be sought in the development of pastures/forestry programmes on public wasteland by giving financial incentives and entitlement of trees and pastures.

2.6.2 Food and Nutritional Security

Special efforts will be made to enhance the productivity and production of crops to meet the increasing demand for food generated by growing population and raw materials for expanding agro-based industries. Special attention will be given to development of new crop varieties, particularly food crops, with high nutritional value.

A major thrust will be given to development of rainfed agriculture, horticulture, floriculture, roots and tubers plantation crops, aromatic and medicinal plants, bee-keeping and sericulture for augmenting food supply, exports and generating employment in rural areas.

Development of animal husbandry, poultry, dairy and aquaculture will receive high priority for diversifying agriculture, increasing animal protein availability in food basket and for generating exportable surpluses.

Cultivation of fodder crops and fodder trees will be encouraged to meet the growing need for feed and fodder requirements. The involvement of cooperatives and the private sector will be encouraged for the development of animal husbandry, poultry and dairy.

2.6.3 Generation and Transfer of Technology

The Government will encourage application of biotechnology, remote sensing technologies, pre and post harvest technologies, energy saving technologies and technology for environmental protection.

The Government will endeavour to move towards a regime of financial sustainability of extension services in a phased manner, a more realistic cost recovery of extension services and inputs, while simultaneously safeguarding the interests of the poor and vulnerable groups.

The Government will take measures to empower women and build their capabilities and improve their access to inputs, technology and other farming resources.

2.6.4 Incentives for Agriculture

The Government will take steps to improve the terms of trade for agriculture with manufacturing sector.

Consequent upon removal of quantitative restrictions on trade in inputs as per WTO Agreement on Agriculture, in order to protect the interest of farmers, continuous monitoring of international prices will be undertaken and appropriate tariff protection will be provided.

The structure of taxes on food grains, other commercial crops and excise duty on farm machinery and implements, fertiliser etc. will be reviewed and rationalised.

2.6.5 Investments in Agriculture

The policy admits that there has been a decline in public sector investment in the agriculture sector. Public investment for narrowing regional imbalances and accelerating development of supportive infrastructure will be stepped up.

Besides this, private sector investment in agriculture will also be encouraged, more particularly in areas like agricultural research, human resource development, post-harvest management and marketing.

For setting up agro-processing units, collaboration between the producer cooperatives and corporate sector will be encouraged.

2.6.6 Institutional Structure

The approach to rural development and land reforms will focus on the following areas:

- i) Consolidation of holdings all over the country on the pattern of north western states
- ii) Redistribution of ceiling surplus lands and wastelands among the landless farmers and unemployed youth
- iii) Tenancy reforms to recognise the rights of the tenants and sharecroppers
- iv) Development of lease markets for increasing the size of holdings by making legal provisions for giving private land on lease for cultivation and agri-business
- v) Updating and improvement of land records, computerisation and issue of land pass-books to farmers.
- vi) Recognition of women's rights in land.

Private participation will be promoted through contract farming and land leasing arrangements to allow accelerated technology transfer, capital inflow and assured markets for crop production, especially of oilseeds, cotton and horticultural crops

2.6.7 Risk Management

The National Agriculture Policy envisages National Agriculture Insurance scheme covering all farmers and all crops through out the country. Efforts are being made to provide a package insurance policy for the farmers, right from sowing of the crops to post-harvest operations, including marketing fluctuations in the prices of agricultural produce.

2.6.8 Critical Review of the New Agricultural Policy

The New Agricultural Policy promises Green Revolution, White Revolution (milk and dairy products) and Blue Revolution (aquaculture). It has, therefore, been described as a policy of promising Rainbow Revolution.

Firstly, the new agricultural policy has fixed up unrealistic targets of agricultural growth rate. During the nineties, the growth rate of agricultural production averaged 2.1 per cent and that of food grains production averaged 1.8 per cent per annum, which was just equal to the growth rate of population. The goal of attaining 4 per cent growth in agriculture seems a distant dream. Attainment of food security is also difficult to achieve. The New Policy does not specify the targets in input use, public investment, so that the objectives can be achieved.

Secondly, the New Agricultural Policy talks of widespread development of agriculture. But it does not identify the agriculturally backward states, which are lagging behind in utilising their potential. It would have been better had the policy recommended special package for investment in infrastructure in those areas to achieve balanced regional agricultural development.

Thirdly, the policy emphasises on private investment to increase production. The large farmers can make investment in the form of tube well, agricultural implements, land improvement. But the small farmers who constitute the major segment of Indian farmers are not able to make private investment and depend on public investment for agricultural production. Moreover, in backward underdeveloped areas, a big push in the form of public investment in rural infrastructures is necessary to accelerate agricultural growth. The new policy lacks such focus on public investment and does not commit any thing on this matter.

Fourthly, the policy intends to encourage commercialised or capitalist farming by promoting contract farming. The policy does not specify any regulating mechanism to control adverse effects of contract farming on eco-system and employment.

Fifthly, in India agriculture is a state subject. The national agricultural policy only gives the guidelines which may not be binding on states. It would have been better, had the Centre specifically mentioned its contribution in different programmes it intends the states to undertake to promote agriculture. Central contribution in rural development programmes will provide incentives to states to take up such programmes.

In these sessions you read about the measures to be taken for the improvement of agriculture and National Agriculture Policy now answer the questions given in Check Your Progress-3

Check Your Progress 1

- Note:** a) Answer the following questions in about 50 words.
- b) Check your answer with possible answers given at the end of the unit.
- 1) Describe the measures undertaken by Government of India to increase use of quality seeds.

- 2) Critically examine the National Agricultural Policy, 2000.

2.7 LET US SUM UP

The role of agriculture in the development of rural economy is immensely important. It contributes to the national income, serves as a source of livelihood and forms a positive linkage with the growth of industrial sector and international trade. The trend of agricultural growth in India has been an upward graph in terms of steady increase in area under cultivation; average yield per hectare and production of food grains. Productivity of agriculture mainly depends on two types of factors: institutional and technological. Institutional factors refer to the land ownership and operation pattern that affect the incentive structure for agricultural production. These include size of land holding, extent of tenancy, terms and conditions of tenancy etc. The technological factors refer to the use of yield increasing agricultural inputs and methods of production such as irrigation, high yielding varieties of seeds, chemical fertiliser, improved agricultural implements like tractors, harvester, transplanter etc. To enhance agricultural productivity institutional as well as technological changes are necessary. Further on, the agricultural productivity can be increased by institutional restructuring and use of improved inputs or methods of production. The green revolution that took place in India during mid 1960s was primarily due to use of irrigation, chemical fertilisers and high yielding varieties of seeds. Therefore, this strategy was popularly known as seed-water-fertiliser technology. Eventually, the Government of India announced National Agricultural Policy in 2000 to accelerate agricultural growth.

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2.9 CHECK YOUR PROGRESS- POSSIBLE ANSWERS

Check Your Progress 1

- 1) Discuss the importance of agriculture in economic development of India.

Answer. The importance of agriculture in economic development in of India can be assessed in the following ways:

- i) Contribution to National Income
 - ii) Source of Livelihood
 - iii) Role in Industrial Development
 - iv) Role of Agriculture in International Trade
 - v) Other Contributions
- 2) Give a critical assessment of tenancy reform measures in India.

Answer. The shortcomings of tenancy reform measures are as follows:

- i) The tenancy reform laws have not been implemented in full spirit. Many officials themselves were land owners and they misinterpreted the laws in favour of the land owners.

- ii) The legal processes to enable cultivators to become owners were rigid and complex. The poor tenants did not have the resources to move to the court of law.
 - iii) To get ownership right on tenanted land, the tenant was required to prove his continuous use of land for cultivation purpose. The tenants found it difficult to prove this claim.
 - iv) The landowners evicted the tenants on the ground of resumption of land for self cultivation.
- 3) The main tenancy reform measures are as follows:
- i) Regulation of Rent
 - ii) Security of Tenure
 - iii) Conferment of Ownership Rights to Tenants

Check Your Progress 2

- 1) Describe the government measures to develop irrigation in India.

Answer. Important government programmes under implementation are as follows.

- a) Accelerated Irrigation Benefit Scheme

The Central Government initiated the Accelerated Irrigation Benefit Programme (AIBP) from 1996-97 for extending assistance for the completion of incomplete irrigation schemes. Under this programme, projects approved by the Planning Commission are eligible for assistance. Further, the assistance, which was entirely a loan from the Centre in the beginning, was modified by inclusion of a grant component with effect from 2004-05. AIBP guidelines were further modified in December 2006 to provide enhanced assistance at 90 per cent of the project cost as grant to special category States, Drought Prone Area Programme (DPAP) States/tribal areas/flood-prone areas and Koraput-Balangir-Kalahandi (KBK) districts of Orissa.

- b) Rural Infrastructure Development Fund

National Bank for Agriculture and Rural Development (NABARD) has set up Rural Infrastructure Development Fund (RIDF) under which loans are granted to states for speedy completion of minor irrigation projects.

- c) Participatory Irrigation Management Programme

During the last two decades India has undertaken path breaking reform measures in irrigation sector to ensure efficiency in water use, equity in water distribution and sustainability of the irrigation systems. Until 1990s major and medium irrigation projects in India had remained state owned, state funded managed by a government department by a hierarchical bureaucracy in a top down manner without any participation of farmers. Recently emphasis has been laid on participation of farmers in all aspects of planning, development and management of water resources.

- 1) Describe the measures undertaken by Government of India to increase use of quality seeds.

Answer. The Various measures undertaken by Government of India to increase use of quality seeds are as follows:

The Indian Seed Programme includes the participation of Central and State Governments, the Indian Council of Agricultural Research (ICAR), the State Agricultural Universities, the cooperative and private sectors. There are 15 State Seed Corporations besides two national-level corporations, namely National Seeds Corporation and State Farms Corporation of India. The Ministry of Agriculture is implementing the Central-sector Development and Strengthening of Infrastructure Facilities for Production and Distribution of Quality Seeds scheme. The Protection of Plant Varieties and Farmers' Rights (PPV&FR) Authority was established in November 2005 at the National Agricultural Science Complex (NASC), New Delhi. NASC has been mandated to implement provisions of the PPV&FR Act 2001. Fourteen crops, namely rice, wheat, maize, sorghum, pearl millet, chick pea, pigeon pea, green gram, black gram, lentil, field pea, kidney bean, cotton and jute were notified for the purpose of registration under the Act. There are plans to extend its operations and coverage to forestry and aromatic and medicinal plants.

Considering the vital importance of the seeds sector in promoting agricultural growth, it is proposed to replace the existing Seeds Act 1966 by suitable legislation. The new Act is expected to (i) create a facilitative climate for growth of the seed industry, (ii) enhance seed replacement rates for various crops, (iii) boost the export of seeds and encourage import of useful germ plasm and (iv) create a conducive atmosphere for application of frontier sciences in varietal development and for enhanced investment in research and development (R&D).

2) Critically examine the National Agricultural Policy, 2000

The New Agricultural Policy promises Green Revolution, White Revolution (milk and dairy products) and Blue Revolution (aquaculture). It has, therefore, been described as a policy of promising Rainbow Revolution.

Firstly, the new agricultural policy has fixed up unrealistic targets of agricultural growth rate. During the nineties, the growth rate of agricultural production averaged 2.1 per cent and that of food grains production averaged 1.8 per cent per annum, which was just equal to the growth rate of population. The goal of attaining 4 per cent growth in agriculture seems a distant dream.

Secondly, the New Agricultural Policy talks of widespread development of agriculture. But it does not identify the agriculturally backward states, which are lagging behind in utilising their potential.

Thirdly, the policy emphasises on private investment to increase production. The large farmers can make investment in the form of tube well, agricultural implements, land improvement. But the small farmers who constitute the major

segment of Indian farmers are not able to make private investment and depend on public investment for agricultural production.

Fourthly, the policy intends to encourage commercialised or capitalist farming by promoting contract farming. The policy does not specify any regulating mechanism to control adverse effects of contract farming on eco-system and employment.

Fifthly, in India agriculture is a state subject. The national agricultural policy only gives the guidelines which may not be binding on states. It would have been better, had the Centre specifically mentioned its contribution in different programmes it intends the states to undertake to promote agriculture.



UNIT 3 RURAL INDUSTRIALIZATION

Structure

- 3.1 Introduction
- 3.2 Rural Industrialization: Meaning and Significance
- 3.3 Role of Industries in Rural Economy
- 3.4 Features of Rural Industries
- 3.5 Types of Rural Industries
- 3.6 Challenges of Rural Industrialization
- 3.7 Measures to Promote Rural Industries
- 3.8 Let Us Sum Up
- 3.9 Key Words
- 3.10 References and Selected Readings
- 3.11 Check Your Progress- Possible Answers

3.1 INTRODUCTION

One of the central problems impinging significantly on rural development is the shrinking employment opportunities in rural areas. Seasonal unemployment, partial unemployment, artisans who are at the margins because the technology they use has become obsolete is common in Indian villages. Finding jobs to match the skills of the people is one enormous task for any government. Agriculture is widely found to be non-remunerative. This has accelerated migration to urban areas in a big way, worsening the situation of urban poverty.

A recent challenge to development in rural areas is distress departure from agriculture. The paradox is that commercial exploitation of resources in rural areas is systematically done by corporate interests. The dearth of access to information, knowledge and technology make rural people to stand away and watch their resources such as land, sand, soil, water, vegetation, herbs, trees etc. being exploited by profiteering interests. The unlettered or semi-literate rural people wind up their business in villages, and get set to depart to urban centres in search of employment in the cities.

Commencing from the mid-1950s, one of the best strategies that India has been adopting for employment generation, especially in rural areas is rural industrialization. There are several concepts, models, and experiments that are successful in rural industrialization and in mass employment generation in several parts of the country. They are also known as non-agricultural sub-sector.

After studying this unit, you should be able to:

- explain the significance of rural industrialization
- role of rural industries in development
- features and types of rural industries in India.

3.2 RURAL INDUSTRIALISATION: MEANING AND SIGNIFICANCE

3.2.1 Meaning

Industries are places that manufacture goods or articles for the consumption of the masses. Industries generate employment for the society. Industries contribute to the economic development of a nation. Rural industries are non-farm activities that depend on rural resources, and are primarily meant for employment generation through effective utilization of locally available resources, human power and technologies that are native or home-grown. These are by nature small-scale. These are usually based in villages. Hence, they are popularly addressed as: small-scale industries / village industries / rural industries. Since employment generation is one of the essential objectives of rural industries, they usually work with the philosophy of production by masses-as opposed to mainstream industries where goods are mass produced. It aims at reducing unemployment levels, and enhancing the individual and household incomes. Since the scale of activities is small, the financial requirement is also usually small. According to T M Dak, the concept of “rural industries” itself lacks uniform and accepted definition, is used interchangeably with such terms as, “artisan industries” etc.

The Planning Commission first used the term “rural industries” when it recommended a rural industries projects programme in the year 1962. In a report on Village and Small industries sector, the Planning Commission (1988) defined rural industries in the following lines, “The term ‘rural industries’ connotes such types of industries as khadi, Village industries, handloom, handicraft, sericulture, coir and tiny and service industries situated in rural areas”.

Thus, rural industrialization includes economic activities outside agriculture, carried out in villages and varying in size from households to small factories. Some examples of these activities are cottage, tiny, village and small-scale manufacturing and processing industries; and services of various kinds. Household industries have declined over time, whereas small scale, non-household industries have expanded. Cottage enterprises – based on part-time family labour – are relatively less efficient than small-scale, fulltime and specialised rural industries.

The term rural used as prefix to industrialization is to indicate a need for clear conditionality and connectivity between industrialization processes and a distinct section of society. Industrialization is a process of producing goods and services using certain specific inputs, technologies and manufacturing procedures. Rural industry, in the traditional sense, is construed as the economic activity characterised with features like ease of entry, reliance on indigenous sources, small scale operation, adopted technology and skills acquired outside the formal schooling system. However, this segment suffers from technological obsolescence, low productivity, inefficiency, inconsistent quality, drudgery and dependence upon nature’s clemency. Arrival of new technologies as a fall out of globalization and scaling up production calls for innovation or improvisation in technologies used in rural industries as well.

In effect time has come for us to think of ‘Rural Industrialization’ as an endeavour requiring innovation, distinct from state sponsored small scale industrialization to serve both rural and semi-rural areas. The concept of Rural Industrialization

encompasses facilitating avenues of employment in non-farm activities on a widely dispersed basis nearer to the place of living of the poor. It is also felt that a shift in income distribution in favour of the poor would require increased production of articles of mass consumption and wage goods, which can be produced through Village Industries (VI) or Small Scale Industries (SSI). Application of technology and being able to draw the attention of the potential consumers has become imperative for products from rural industries as well. According to Chuta and Sethuraman, rural industrialisation is an employment oriented development strategy necessarily implying greater emphasis on small scale activities. These not only offered greater employment and income opportunities for the rural poor in particular but also facilitate their participation in development.

3.2.2 Significance of Rural Industrialization

In most developing countries – including India – the rural labour force has been growing rapidly but employment opportunities have been dwindling. As the land available for expansion of agriculture becomes increasingly scarce, opportunities for non-farm employment must expand, if worsening rural poverty is to be checked. Given the expected growth and composition of large-scale urban industries, they are unlikely to be able to absorb the rising tide of workers migrating from the countryside to the cities. We must slow down the process of the urban spread, with its high social and environmental costs, such as congestion, pollution, skyrocketing land costs etc. Therefore, diversion of manpower becomes imperative from agriculture sector to industry and service sectors. Since employment in the service sector, particularly in rural areas is limited, the development of industrial sector, especially in rural segment is essential.

The rural industrialization is considered as a vehicle for the generation of productive employment and income for the generation of productive employment and income for the rural poor. The significance of rural industrialization can be attributed due to following factors:

- i) They can slow down urban migration and thereby ease the problems of urbanization.
- ii) They lead to improvement in environment by reducing the concentration of industrial units in big cities.
- iii) They can increase rural income and generate nonfarm employment to the farmers.
- iv) They can reduce both skilled and unskilled unemployment.
- v) They can promote balanced industrialization by avoiding excessive industrial concentration.
- vi) They are based on the local needs and can better meet the local consumption needs.

Thus the decentralization of industries to rural areas is one of the best possible development strategies for thickly populated country like India.

3.2.3 Objectives of Development of Village and Small Industries

According to one of the Five year plan, the objectives of the development of village and small industries are:

- i) to assist in the growth and widespread dispersal of industries;
- ii) to increase the levels of earnings of artisans;
- iii) to sustain and create avenues of self-employment;
- iv) to ensure regular supply of goods and services through use of local skills and resources;
- v) to develop entrepreneurship in combination with improved methods of production through appropriate training and package of incentives;
- vi) to preserve craftsmanship and art heritage of the country.

In this session you read about the role of industry in development, now answer the questions given in Check Your Progress 1.

Check Your Progress 1

- Note:** a) Answer the following questions in about 50 words.
 b) Check your answer with possible answers given at the end of the unit.

- 1) What is the meaning of the term Rural Industrialization

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- 2) What is the significance of Rural Industrialization for India?

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3.3 ROLE OF RURAL INDUSTRIES IN DEVELOPMENT

In India, cottage and village industries have been an important occupation of the landless and other poor people in villages for ages. It is an important source of income and employment opportunities for them. As a matter of fact, agriculture and rural industries are complementary to each other. This sector has the second largest share of employment after agriculture. It touches the lives of the weaker and unorganised sections of the society, with more than half of those employed being women, minorities and the marginalised. Fifty seven per cent of the micro and small enterprises (MSEs) units are owner-run enterprises with one person. They account for 32 per cent of the workforce and 29 per cent of the value added in non-agricultural private unincorporated enterprises.

This sector contributes to over 40 per cent to the gross turnover in the manufacturing sector, about 45 per cent of the manufacturing exports and about 35 per cent of the total exports.

India has a very large spectrum of industrial activities surviving in the villages in spite of severe competition from the highly industrialized urban society. 'Traditional', as they are called, these artisans sustain with their handed down technologies, with slight improvements not keeping pace with changes in that the sector or market demand. The Government of India through various formal institutions and budget allocations supports rural industrialization activities. These aim at supporting rural industrialization, creating enabling environment to arrest rural to urban migration, and employment generation at the local level. This would eventually enhance the individual and household incomes leading to poverty reduction.

3.3.1 Role of village Small industries in India's export

The VSI sector contributes to about one-third of India's export earnings despite getting only an insignificant share of the plan allocations. It is ironic that despite its tremendous export potential, promotion of exports has not figured in our five year documents as an objective of development of this sector. This does not, however, mean that there have not been any measures to promote exports of this sector. Organisations like the Handicrafts and Handlooms exports Corporation and Central Industries Corporation are evidences of government efforts to encourage exports of VSI products. However, the fact remains that our five year plans have not visualised contribution to exports as an important objective of the development of the village and small industries despite their impressive export potential.

Between 2000-01 to 2004-05, the small enterprises sector registered continuous growth in the number of units, production, employment and export. The performance of SSI is given in the Table:1

Table 1: Status of Industrial Units, Employment and Exports

Year	No. of units (lakh)			Employment (lakh)	Exports (Rs. Crore)
	Regd.	Unregd	Total		
2000-01	13.10	88.0	101.10 (4.1)	239.09 (4.4)	239.09 (4.4)
2001-02	13.75	91.46	105.21 (4.1)	249.09 (4.2)	249.09 (4.2)
2002-03	14.68	94.81	109.49 (4.1)	260.13 (4.4)	260.13 (4.4)
2003-04	15.54	98.41	113.95 (4.1)	271.36 (8.6)	271.36 (4.3)
2004-05	16.57	102.02	118.59 (4.1)	2,51,511 (10.0)	282.91 (4.3)

Note: Figures in parenthesis indicate percentage growth over previous years

(Source: *Economic Survey 2005-06, GOI***)**

3.4 FEATURES OF RURAL INDUSTRIES

Given its enormous diversity and the constantly evolving context, the content of rural industrialization remains a difficult task. The best evidence for this is the migration of rural populace to urban areas in search of employment in construction industries, hotels and restaurants etc. Some of the distinguishing features and major advantages of rural industry are narrated below:

- i) The Village, Khadi and small industries assume special significance owing to its high employment potential which becomes immensely important for an economy like India which is characterised with abundant labour supply and concomitant unemployment and underemployment. Today nearly 40 million people are employed in these industries on full time or part time basis. This figure is much more than the total people employed in organised manufacturing and mining sectors.
- ii) These industries also provide employment in the off-season while agriculture provides only seasonal employment. The Village and cottage industries help people meet their employment issues in the off-season.
- iii) The Village, khadi and cottage industries employs the people falling under special categories like women, old aged, children, physically disadvantaged, etc. Alongside it creates part time opportunities for people who are working somewhere else on full time basis in order to make additional income.
- iv) Most of these industries are located within the household premises which poses as an advantage for the employed people.
- v) The Village and cottage industries are a boon for labour-abundant and capital –scarce economy like India. The capital-output and capital-labour ratios are comparatively very low. That is, the amount of capital investment required per unit of employment and the capital investment required per unit of output are comparatively very low.
- vi) Because of the low capital-output ratio and low gestation period they promote non-inflationary growth.
- vii) Khadi and village industries have been found to be of particular help to the weaker sections of the society.
- viii) These industries promote economising of resource utilisation and resource conservation. Techniques that are easily adaptable are adopted to ensure maximum utilisation of locally available raw materials. At times, there is usage of nonconventional raw materials whereby there is conversion of waste into wealth.
- ix) These industries help in reducing the regional economic imbalances as these industries can develop in almost all areas including backward, tribal, hilly and inaccessible areas.
- x) These industries help in increasing employment opportunities and income henceforth increasing the pace of rural development.

- xi) As compared to the large industries, the small industries have received more of attention owing to the ecological issues they create.
- xii) There is no creation of energy crisis and foreign exchange crisis as the khadi and village industries do not use or use only very little electric power or oil.

Box -1: Gandhigram (Tamil Nadu) and Rural Industrialization

Gandhigram in Tamil Nadu is one of the unique experiments initiated by Dr.T.S. Soundram and Dr.G. Ramachandran ardent disciples of Mahatma Gandhi. It was started in 1947. Today it is known as a conglomeration of small-scale and village industries. Gandhigram is promoting rural industrialization through rural technology dissemination, and rural employment generation. It has been involved in a wide range of non-farm employment generation activities, stretching from production of khadi fabric, soaps, shampoo, food products etc to Siddha and Ayurvedic medicines to technology innovations such as bio-gas, smokeless chulhas, new methodologies for rural credit etc. Gandhigram conceptualizes rural industrialization as a strategy to serve rural transformation. Further the activities of Gandhigram serve the logic of upgrading artisans to either serve a niche market or adapt to emerging capitalist-industry milieu. The attempt is towards articulating systems which would be sustainable.

Gandhigram has received National Award as the best institution in Rural Industrialization from the Prime Minister of India in 2003. There was again an award from the President of India in 2005.

3.5 TYPES OF RURAL INDUSTRIES

On the basis of scale and primary function, there are four groups of industries which can be expanded or developed in the rural areas in Eighth plan:

- 1) **Traditional Village Industries:** It comprises of Khadi, leather tanning, wood work, artisan industries, cotton cloth, both handloom and power loom and fabrics, handicrafts, coir, sericulture and wool development, etc.
- 2) **Heavy Industry:** There is a growing demand and scope as shown in the latest Survey of Rural Consumer Expenditure on the item of heavy industries. These include: (a) fertilizer plants which will use bio-mass (b) pesticides using biological inputs, (c) Mini-steel plants, (d) ancillary engineering that can meet the demand of medium and large farms-like ploughs, threshers etc.
- 3) **Medium Group Industries:** (a) Mini-cement plant which can use molasses or coal as energy and can meet the rural construction works, (b) minor paper plant, etc.
- 4) **Light Industries :** (a) Animal feed and fodder industries, (b) the growing building and construction programme to meet the house demand of rural area, industries producing building materials like hinges, screens, doors and windows frames and roofing materials, (c) improved agricultural implements and machinery using the steel and iron produced in the rural areas.

In this session you read about the features of industry, now answer the questions given in Check Your Progress 2.

Check Your Progress

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

- 1) The core of rural industrialisation is said to be connectivity or linkage. How do you substantiate this statement?

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- 2) List out the categories of rural industries followed in the Khadi & Village Industries Commission.

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3.6 CHALLENGES OF RURAL INDUSTRIALIZATION

Some of the challenges of rural industrialization are as follows:

- i) **Multiplicity of Technology-** The dualism in technology is posing a great challenge to rural industrialization. For example, on the first hand we have hands spinning and on the other hand, there is presence of power spinning, handloom and powerloom. This diversity is found in many rural industries such as food processing, construction, leather goods, carpentry, blacksmith, paper making, food preservation and processing. Therefore, reservation of certain areas exclusively for SSIs (Small scale Industries) is required and some protection mechanism issues such as quality standards, production capacities, price subsidy and so on- may be taken into consideration.
- ii) **Type and nature of employment-** The nature of employment requirement varies from one type of rural industries to that of the other. They include self-employment, wage-employment, wage-cum self-employment etc. Therefore, while establishing rural industries, the pattern of employment has to be taken into consideration. According to a study conducted by Algappan shows that employment pattern in rural industries located in Keerapalayam panchayat concluded that wage cum self-employment pattern of wage payment proved to be effective.

- iii) **Managerial and Entrepreneurial skills in Rural Entrepreneurs-** There is a general lack of managerial and entrepreneurial skill in the rural industries. The entrepreneurial acumen among the decentralized industrialization unit is lacking because of lack of technical manpower at the grassroots. The village artisans and entrepreneurs need to be enlightened on various skills of management.
- iv) **Access to credit-** Access to institutional credit is always a problem for small entrepreneurs. Most of the rural industries are starved of financial resources. With the globalization there is a shift in credit system towards the urban entrepreneur and real estate market keeping the rural entrepreneurs in credit crunch.
- v) **Marketing infrastructure-** Marketing of the products produced by the rural entrepreneurs is a big problem. As long as rural products do not enter the normal supply chain, their products cannot enjoy a good market. Therefore, rural industrialization would be a total fiasco sans sound rural marketing infrastructure. Chelloppan has urged the government to patronize the products produced by selfhelp mechanism and this would serve as a headache balm to give an eternal relief to rural enterprises.
- vi) **Defining rural industries-** Defining rural industries in the context of globalization is the need of the hour. The definition given for tiny industry in 1979 is not suit for institutional village industries. Although total investments in these industries have risen, yet the percapita investment has not risen. T.S Papola favoured redefinition of small, medium, cottage and tiny industries.
- vii) **Role clarity-** The role of central and the state government must be clear with regards to the small scale and cottage industries. Under the Centrally sponsored scheme, the Central government take up certain industries like coir, sericulture, khadi and handicraft. However, the implementation part is left to the state government. In other words, Central government provided funds, fiscal concession and policy support to these industries, while the state government takes care of implementation. However, it is seen that state governments still consider it as duty of central government to promote it. As a result, there is confusion in role clarity between centre and state government.

These are a few important challenges of rural industrialization.

3.7 MEASURES TO PROMOTE RURAL INDUSTRIES

The growth of the small scale industries is encouraged by number of promotional measures provided by the government which include the following:

- a) Market protection provided by the reservation of items for exclusive production in the small scale sector. Over the years there has been a significant increase in the list of reserved items and it stood at 847 at the end of December 1987.
- b) Preference given to the small scale sector in government procurement. Under this programme more than 400 items have been reserved for exclusive

purchase from small scale sector while a limited number of items (13 in December 1987) are reserved for purchase up to 75 percent and a number of items (28 in December 1987) for purchase up to 50 percent.

- c) Infrastructural support provided through industrial estates, District Industries Centres (DIC), Small Industries Service Institutes and other specialised institutes which provide technical assistance, testing facilities, etc.
- d) Arrangements for supply of scarce raw materials.
- e) Concessional finance by banks and other financial institutions.
- f) Policy of promoting ancillarisation.

3.7.1 Formal Arrangements for Promotion of Rural Industrialization

There are several institutions of the government that support promotion of rural industrialization. The Ministry of Micro, Small and Medium Enterprises encompasses many such organisations. The notable among are: KVIC, National Small Industries Corporation Limited (NSIC), Coir Board and so on. Besides these, there are other organisations such as the Council for Advancement of People's Action and Rural Technologies (CAPART), National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and commercial banks that support rural industrialization.

The Ministry Of Micro, Small and Medium Enterprises" (MSME for short) supports rural industrialization starting from 'how to start / set up an enterprise to marketing assistance. The popular schemes of the MSME include the following:

- **Entrepreneurship/skill development:** This is one of the key elements for promotion of MSEs particularly the first generation entrepreneurs.
- **Technology Up-gradation:** MSME implements various schemes for MSEs to face the challenges of Globalisation, through technology up gradation.
- **Access to Credit:** Ensures better flow of credit to MSEs by minimizing the risk perception of financial institutions and banks through various schemes.
- **Cluster Development Programme:** For holistic development of selected MSEs clusters through value chain and supply chain management on co-operative basis.
- **Marketing Assistance:** Support to Micro, Small & Medium Enterprises through various programmes/schemes.

3.7.2 Khadi and Village Industries Commission (KVIC)

The objective of establishing the Khadi and Village Industries Commission (KVIC) was to provide financial and technical assistance to the implementing agencies whether they be the State KVI Boards, Registered Institutions, Cooperatives or individuals. KVIC usually supports village industries through KVIBs and some of the KVIC directly aided institutions recognised by the KVIC. Besides financial, technological and marketing support, KVIC also has training and research centres

to offer assistance for rural industries. The popular schemes of the KVIC can be listed as follows:

- PMEGP – Prime Minister’s Employment Generation Programme
- PCBI – Schemes under Polymer and Chemical based industries
- MBI – Schemes under Mineral based Industries
- SFURTI – Scheme of Fund for Regeneration of Traditional Industries
- HMPF – Scheme for Handmade Paper and Fibre Industry
- REGP – Rural Employment Generation Programme
- PRODIP – Product Development, Design Intervention Promotion Package
- ISEC – Interest Subsidy Eligibility Certification
- Publicity – Support for conducting thematic seminars, school level competitions and debates.

Box 4: Scheme of Assistance under REGP

S.No.	Industry/Activity	Products/Schemes
1.	Fruit and Vegetable Processing Industry	Manufacturing of Jam, Jelly, Pickles, Preserves/murabba, squashes, juices, marmalade, Synthetic fruit beverages, RTS beverages, sun-dried mango papad, kismis/resin, canned/tinned products, tomato puree, sauces, ketchup, petha, potato wafers/chips of potato/banana/ jackfruit/tapioca, etc. different types of pickles like sweet pickles, mixed pickles, etc. bottled/canned fresh fruits/vegetables, Awla murabba, mushroom products, Cashewnut processing and its products, tamarind processing, tamarind paste manufacturing, etc.
2.	Milk Based Industry	Manufacturing of Ghee, Curd/Yogurt, Butter-milk, Milk sweets, Toned-milk, Cheese, Paneer, Ice-Cream, etc.
3.	Processing of Cereals and Pulses Industry	Processing of Rice, Wheat, Pulses, Cereals, Poha/beaten rice, Murmura, Bakery products, Papad, Masala, Daliya, Noodles, Popcorn, Organic food, etc.
4.	Village Oil Industry	Various edible oils like Groundnut oil, Ginglee oil, Sunflower oil, Mustard Oil, Palm oil, Oil cake, Menthol, etc.
5.	Palm Gur Industry	Neera, Palm Candy/Palm Chocolate, Palm Sugar, Palm products like, Palm brush, Broom, Fancy articles, etc
6.	Gur and Khandsari Industry	Manufacturing of Gur and Khandsari, Chikki making, Rasvanthi, Indian Sweets, Cane Juice.

3.7.3 National Small Industries Corporation Limited

The National Small Industries Corporation Limited (NSIC) was established in 1955, for facilitating small enterprises. It is involved in:

- Bank credit facilitation for small industries

- Export credit insurance
- Raw Material assistance
- Export assistance
- Bill Discounting Scheme
- Organising Exhibitions (both domestic and international)
- Providing Informediary Service

The ‘Infomediary Service’ of the NSIC is something special that NSIC has initiated with the objective of being able to connect the rural entrepreneurs to global business if they exhibited the potential to stretch. Therefore, keeping in mind the information needs of small industries NSIC has launched “Infomediary Services”. A one-stop, one-window bouquet of aids that will provide information on business, technology and finance, and also exhibit the core competence of Indian SMEs in terms of price and quality-internationally, as well as domestically.

NSIC’s Infomediary Services use a professionally managed human resource (HR) base and modern technology for dissemination of vital information-websites, sector-specific newsletters (both print and electronic), and e-mails. Potential beneficiaries would be entrepreneurs-both existing and aspiring-R&D labs, SME seeking business collaboration and co-production opportunities, joint ventures, exporters and importers, and those looking for technology transfer.

3.7.4 Recent Initiatives of the Government for Rural Industrialization

In order to give a further boost to this sector, several policy initiatives have been taken by the Government of India, including a scheme of integrated infrastructural development, concessional rate of excise duty to non-registered units, quality certification scheme to acquire ISO 9000, raising project outlay from Rs.30 lakh to Rs.50 lakh in the single window scheme, and adequate and timely supply of credit as per the Nayak Committee (1992) recommendations. Besides the investment limits for small-scale industry (SSI) units has been increased from Rs.60 lakh to Rs.3 crore, for the tiny sector from Rs.5 lakh to Rs.25 lakh and the composite loan limit for SSI units from Rs.50,000 to Rs.2 lakhs.

In this session you read about the challenges of rural industrialization and measures to promote rural industrialization, now answer the questions given in Check Your Progress 3.

Check Your Progress 3

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

- 1) What are the main problems that rural industries need to address in the Indian context?

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3.8 LET US SUM UP

Rural industrialisation is significant given the shift taking place from rural to urban areas in search of wage employment in the cities. The non-remunerative nature of agriculture causes distress departure from agriculture. The Government of India assists the farmers to make agricultural farming viable and remunerative, while at the same time, it also has the strategy of taking out the excessive crowd in agriculture through promotion of rural industrialization. There are several institutions of the government that support rural industrialization in India from raw material sourcing to marketing assistance. In the era of globalization and free-market economy in India several of the rural industries also have their prime place especially in rural areas, and catering to the specific sections of urban consumers.

3.9 KEY WORDS

Non-farm	:	Pursuits other than agriculture / occupations one pursues outside agriculture.
Technology	:	New machines, equipment, and ways of doing things that are based on modern knowledge about science.
Subsidy	:	Money that is paid by a government or organisation to make prices lower, reduce the cost of producing goods etc.

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3.11 CHECK YOUR PROGRESS- POSSIBLE ANSWERS

Check Your Progress 1

1) What is the meaning of the term Rural Industrialization?

The term rural used as prefix to industrialization is to indicate a need for

clear conditionality and connectivity between industrialization processes and a distinct section of society. Industrialization is a process of producing goods and services using certain specific inputs, technologies and manufacturing procedures. Rural industry, in the traditional sense, is construed as the economic activity characterised with features like ease of entry, reliance on indigenous sources, small scale operation, adopted technology and skills acquired outside the formal schooling system.

As the land available for expansion of agriculture becomes increasingly scarce, opportunities for non-farm employment through rural industrialization must expand, if deepening rural poverty is to be avoided.

2) What is the significance of Rural Industrialisation in India?

In most developing countries – including India – the rural labour force has been growing rapidly but employment opportunities have been dwindling. As the land available for expansion of agriculture becomes increasingly scarce, opportunities for non-farm employment must expand, if deepening rural poverty is to be avoided.

Check Your Progress 2

1) The core of rural industrialisation is said to be connectivity or linkage. How do you substantiate this statement?

‘Rural Industrialisation’ process highlights the linkage between rural social needs, technology choice, production and distribution processes, and control. This connectivity will have to go beyond mere products and markets. It has to encompass the inherent relationship between basic inputs, capital, skills, vocations, training, products, markets, services, infrastructure etc. while promoting the well-being of the rural community.

2) List out the categories of rural industries followed in the Khadi & Village Industries Commission.

- i) Mineral-based industries
- ii) Forest-based industries
- iii) Agro-based industries
- iv) Polymer and chemical based industries
- v) Engineering and non-conventional energy based industries
- vi) Textile industry other than khadi
- vii) Service industry

Check Your Progress 3

1) What are the main problems that rural industries need to address in the Indian context?

Two significant problems that rural industries have to overcome are: (i) addressing the problems of technology obsolescence; and (ii) marketing. India today is driven by market forces and competitive business enterprises run by the MNCs. The tiny, village and cottage industries also have to survive amidst the gigantic MNCs that have target and lure rural consumers as well. The challenge now is whether respect for native-products and local-sentiments would sell; or vigorously advertised MNC products would sell?

UNIT 4 RURAL COOPERATIVES AND BANKING

Structure

- 4.1 Introduction
- 4.2 Rural Cooperatives: Need and Significance
- 4.3 Cooperative Credit Delivery System: Nature and Structure
- 4.4 Rural Banking System: Concept and Structure
- 4.5 Non Institutional Credit Agencies: Nature and Functioning
- 4.6 Issues and Challenges of Cooperative Banking
- 4.7 Steps Needed for Promotion of Rural Cooperatives and Banking
- 4.8 Let Us Sum Up
- 4.9 References and Selected Readings
- 4.10 Check Your Progress- Possible Answers

4.1 INTRODUCTION

Indian economy is predominantly a rural economy. Around 70 per cent of its population lives in rural areas. Hence, strengthening of rural economy is the corner stone of India's economic development. Rural economy is again predominantly agricultural economy, which has under its fold agriculture, allied sector activities and agro-industries. Economic backwardness, gambling of monsoon, over dependence of ever increasing population etc., make the farming increasingly a difficult proposition. The farmers, therefore, have to resort to borrowings for meeting their cultivation expenses. It is this fact, which made 'credit' (popularly known as 'loans') most significant development input. A number of formal and informal agencies are providing this critical input to the rural masses. Among these, the formal agencies consisting of cooperatives, commercial banks and Regional Rural Banks are playing a significant role in rural development particularly the agriculture sector.

Adequate and timely credit is an indispensable and viable instrument which creates employment avenues, ensures productivity and enhances higher income which, in turn, strengthens rural economy on which the country's overall economic progress accelerates. In fact, this credit demand is ever increasing to strengthen the weak and wavering legs to stand on their own feet. Indeed, the judicious flow of credit needs entirely hinges on a well defined rural credit policy with sound banking structure. In other words, the degree of sustained economic development is closely associated with the effectiveness of rural credit institutions.

After studying this unit, you should be able to:

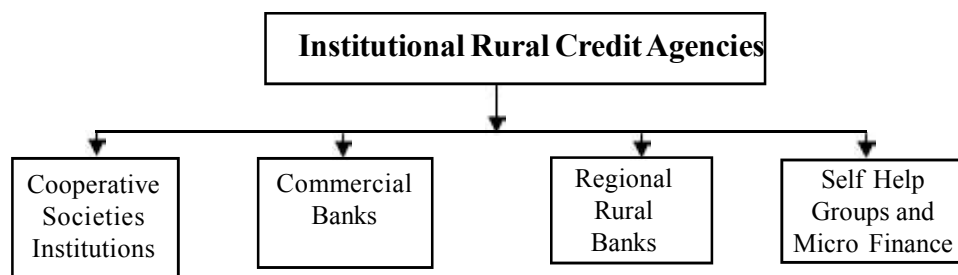
- explain the need and significance of rural cooperatives in rural areas
- role of rural cooperatives in rural development
- nature and structure of rural cooperatives in India.
- Functions of rural banking systems

4.2 RURAL COOPERATIVES: NEED AND SIGNIFICANCE

The existence of a strong and efficient credit institution is of paramount importance to relieve the farmers from the clutches of money lenders. For developing countries like India, institutional systems are more relevant than the non-institutional agencies because of wide spread nature of the rural economy. The success of credit – oriented development is significantly dependent upon the soundness of the credit structure comprising of credit institutions. Credit should be made easily accessible, cheaper, safe as well as production oriented. Credit becomes a bottleneck to production if it is not made available at the right time, in right quantum at a right cost (interest). The Cooperative Planning Committee has stated, “the Cooperative society has an important role to play as the most suitable medium for the democratisation of economic planning. It provides the local units which can fulfil the dual function of educating public opinion in favour of a plan and of a plan and of executing.”

The history of formal rural credit goes back to 1883 when the British Indian Government first introduced ‘Taccavi Loans’ under the Land Improvement Loans Act of 1883 and the Agriculturists Loans Act of 1884. This was the first step taken by the Government towards framing the agricultural credit policy in the country. The Taccavi loans were very small loans disbursed by the government during natural calamities such as famine, draught, flood and other distress conditions, provided at lower rates of interest. The quantum of loans disbursed was inadequate and it was tied-up with procedures and formalities which were difficult to be fulfilled and as a result many farmers were left uncovered under the Taccavi loans. Government also felt difficulties in disbursing timely credit. Therefore, it looked for other alternative form of organisation for solving the problem of rural credit. One immediate solution appeared to the government at that point of time was introduction of cooperative institutions and the Madras Provincial government took the lead.

The enactment of the Cooperative Credit Societies Act 1904 was the significant effort taken by the Government to institutionalize the agricultural credit. It enabled promotion of cooperatives in an organised form in the country. The introduction of social control in 1967 and the consequent nationalization of Commercial Banks (CBs) in 1969 brought the CBs into the forefront of agricultural credit. The emergence of Regional Rural Banks (RRBs) in 1976 added one more feather to the existing rural credit structure. All these developments resulted in multi-agency approach to rural credit institutional network for agricultural and rural development credit. The National Bank for Agriculture and Rural Development (NABARD) as a national level-refinancing agency has been streamlining the institutional arrangements for financing agriculture and Rural Development since 1982. The Self Help Groups (SHGs) and Micro Finance Institutions (MFIs) have of late become most popular source of rural credit and thus become yet another member in the institutional framework for rural credit especially 1990’s. The basic objective behind all these arrangements has been to develop a system of institutional credit that is positive, productive and thrift enhancing, besides checking the menace of usurious practices in rural credit by non-institutional agencies. The structure of institutional system for flow of credit for agriculture and rural development is given in the chart below:



4.2.1 Objectives of Rural Cooperative Credit

The objectives of rural cooperative credit are to:

- 1) To improve low standard of living of rural people;
- 2) To help augment rural sector production and thereby strengthen the rural economy;
- 3) To provide cheap credit to those who are willing and capable of producing more through added inputs and efficient management so that recovery could be easily made;
- 4) To develop resourcefulness of borrowers particularly weaker sections
- 5) To encourage rural borrowers to adopt technology ensuing greater production; and
- 6) To inculcate thrift and savings among the rural people through better use of credit.

4.2.2 Role of Cooperatives in Rural Development

Cooperatives play a significant role in financing of rural development. A few important roles of rural cooperatives are narrated below:

Sustained credit support for agriculture and allied activities: India being agriculture economy, sustainable agriculture is need of the hour. Sustainability means optimum allocation and utilization of resources to maximize the productivity while keeping the natural resources intact. In this direction, agricultural credit cooperative have been playing a direct role in the purveyance of required credit input. The role they play now-a-day for promotion of non-farm sector activities would definitely bring fruits and lead to integrated rural development. Besides, when cooperatives at the village level lend for agriculture, allied and non-farm sector activities to rural masses farming becomes 'integrated' which naturally results in sustainable agriculture development.

As growth centre: The growth and development of cooperative banking, farming, dairying, marketing, industries, stores etc., as social and economic organizations promote economic and social activities in their respective spheres. By doing so, cooperatives bring change primarily in the economic and social status of the people. The effects are also felt in the cultural and moral grounds. Cooperatives thus, play the role of change agents and as the services grow and reach becomes wider, the cooperatives as such or the villages where vibrant cooperatives are located, become growth centres. Cooperatives as growth centres and change agents could bring about a revolutionary transformation in the socio-economic life of the people through evolutionary means.

Value addition: Cooperatives are need based organizations. They have been doing a lot in many spheres and are capable of doing a lot more. Cooperative upon achieving successfully their prime tasks, start diversifying their activities in the same line of business or take up another related task. Thus, cooperatives continually strive to bring in value addition to their own products or to the produce the members dispose of at a cheaper price. AMUL, an internationally reputed dairy cooperative has had its humble beginning with the small task of collection and marketing of milk. Later it has started manufacturing dairy products like milk powder, butter, ghee, chocolate and edible oils with the sole purpose of value addition. In this way, almost all types of cooperatives by expanding their business can add value to their organizations and members and thereby reach the community with more and more benefits, especially, by making available better quality products at a reasonable cost.

Reconciling the economic imbalances: Cooperatives by undertaking various economic activities such as procurements, processing, production and marketing in a collective manner facilitate material advancement in the society in general and among the members in particular. Material advancement fosters self-reliance. Cooperatives are the associations of the financially weak. Active participation of members especially in the economic activities of the cooperatives would enable the members to improve their economic conditions. When the members belonging to weaker sections are promoted the gap between the have's and have not's would be reduced and the society prosper. Moreover, development of cooperative forms of endeavors will act as a check mate to the profit oriented private organizations. Cooperatives would also help in regulating the price in the market. Through all these measures, cooperatives help reconciling the economic imbalances prevailing in the society.

Compatible to the Democratic Economic Planning: The country is wedded to ideology of socialistic pattern of democracy. Cooperatives being democratic organisations, it becomes, a natural ally of democratic planning. Cooperatives are training ground at the grassroots level for democratic planning and effective instruments for economic development. Cooperatives with their vast network enable a large number of people to get involved in planning in a democratic manner their own economic development. The institutional mechanism and network of cooperatives offer ample scope for people's participation in different stages of economic planning viz., formation of plans, implementation, and monitoring and evaluation of programmes implemented.

Economic and social decentralization: According to Aldous Huxley, the road of decentralization is the road to better society. Cooperatives with their vast network and greater representation of populace are the better instruments of democratic decentralization. Members are the owners, democratic member control is the primary principle of cooperatives, and general body is the supreme authority in cooperatives. Cooperatives practicing democratic way of life are more essential in the pluralistic society like ours. It is the members who plan and control the operations of the cooperatives. The power of controlling the factors of production is vested with the members. By decentralizing the economic planning, cooperatives eliminate the centralization of wealth and properties in a few hands.

In these sessions you read about the role of cooperative in development, and now answer the questions given in Check Your Progress-1

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.
 b) Check your answer with possible answers given at the end of the unit.

1) Enumerate the objectives of Rural Cooperative Credit?

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4.3 COOPERATIVE CREDIT DELIVERY SYSTEM: NATURE AND STRUCTURE

By the beginning of the 20th Century, the colonial government realized the Indian farmers' dependence on usurious moneylenders as a major cause of their indebtedness and poverty. At that time the cooperative movement had become well established in Europe and achieved remarkable success there. Convinced that the Cooperative movement could offer the best means of liberating the Indian farmers from the crushing burden of debt and the tyranny of moneylenders, the Indian rulers began to take active interest in promoting credit cooperatives in the country. Sir Frederic Nicholson was deputed by the Madras provincial government to Europe for studying in detail different forms of cooperatives and to recommend a suitable form to be introduced in rural India. He, in his report, recommended "Find Raiffiesen" meaning that Raiffiesen model of rural cooperative society most prevalent in German was the suitable form of cooperation to the Indian rural conditions. During the same time, the Edward Law Committee (1901) came out with a recommendation for establishment of cooperatives. Accordingly, The Cooperative Credit Societies Act was enacted on 25th March 1904 with the objective of relieving the poor farmers from the clutches of moneylenders and for providing cheap and facile credit. This was a laudable measure and hailed as a turning point in the economic and social history of India by Henry Wolf. However, this Act permitted the formation of primary agricultural credit societies only, which laid more emphasis on the promotion of agricultural credit. The Cooperative Societies Act, 1912 was enacted to form non-credit societies also. Based on the recommendations of the Reforms Commission 1919, the subject Cooperation was transferred to Provincial Governments. Though the Royal Commission on Agriculture 1928 opined that if Cooperation failed, the hopes of rural India would fail, the growth of cooperatives in pre-independent era was not so impressive and did not make any break-through due to inherent reasons.

In post independent era, the planned development of Cooperatives in general and cooperative credit societies in particular, though impressive, it was felt that it could have been much better. It was reflected in the recommendations of AIRCSC 1954. The Committee observed that 'Cooperation has failed but it must succeed'. It recommended for State Partnership for the development of cooperatives and to scale up its activities. As a result, the cooperative credit societies received

substantial support from the RBI, GOI and State Governments. Over the period, number of Committees and Commissions were appointed and the recommendations of these Committees and Commissions were used to tune the functioning of the cooperative banks. The important Committees and Commissions were:

- 1) All India Rural Credit Review Committee 1969,
- 2) Study Team on Overdue 1974,
- 3) Committee to Review the Arrangements for Institutional Finance for Agriculture and Rural Development 1980,
- 4) Agricultural Credit Review Committee 1989,
- 5) Task Force to Study the Cooperative Credit System and Suggest Measures for its Strengthening 2002 and

4.3.1 Structure of Cooperative Credit System

The Structure of Cooperative Credit in India in general consists of two main wings viz., (i) agricultural credit and (ii) non-agricultural credit. In the case of agricultural credit, two separate structures exist – one for short – term and medium term credit and the other for long – term credit - referred here as Cooperative Credit Structure or Cooperative Credit Delivery System (CCDS). The Cooperative Credit Structure for short and medium – term credit is a three tier and federal structure with a State Cooperative Bank at the apex level in each State, the Central Cooperative Bank at the District level and Primary Agricultural Credit Societies / Primary Agricultural Cooperative Banks / Large Sized Agricultural Multi-Purpose Societies / Farmers Service Societies at the base level. However, the system is not uniform across the country.

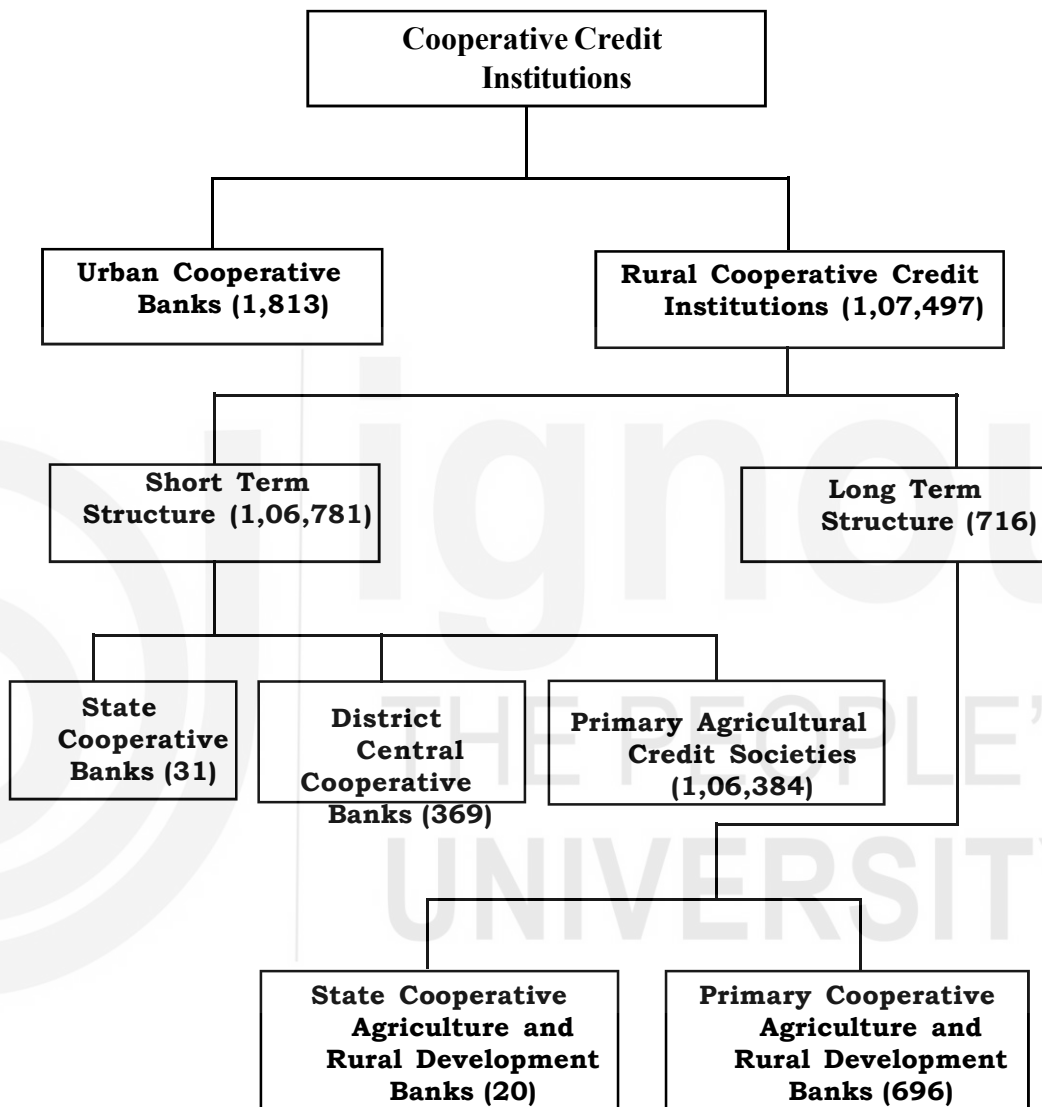
A separate institutional structure for providing long-term credit in the cooperative sector owes its origin to the report of the Meclagan Committee (1915). The first Land Mortgage Bank (LMB) was established at Jhang (in the then Punjab) in 1920. Before nationalization of commercial banks in 1969, the LMBs were the only institutional agency in disbursing long-term agricultural credit. With the establishment of Agricultural Refinance and Development Corporation (ARDC) in the RBI and subsequently NABARD, these banks also undertook the schematic lending and started providing loans for non-farm activities. The nomenclature of these banks was changed from LMBs to Land Development Banks (LDBs) and later to Agriculture and Rural Development Banks (ARDBs). The institutional long-term credit structure in some States is unitary; in others, which constitute the majority, it is two-tier viz., the PCARDBs at primary level and SCARDBs at State level.

At the All India level, all the State Apex Cooperative Banks have their own national federation namely National Federation of State Cooperative Banks from the year 1967 at Mumbai. Likewise all the State Agriculture and Rural Development Banks have formed their own National Federation of State Agriculture and Rural Development Banks functioning from 1967 at Mumbai. These two federations are not undertaking any banking and financial activities. They only coordinate and promote cooperative banking in the country.

The CCDS was designed to serve the rural population primarily in meeting the credit requirements of the farmers and others in rural area. The area of operation

and functions of the organisation at each level of the structure were pre-defined. Service had been the main motto.

At present the short-term credit structure consists of 95670 PACS, 3621 LAMPs, and 2477 FSS at primary level, 367 DCCBs and 30 SCBs at the state level. There are 1785 PCARDBs and 20 SCARDBs functioning in the long-term credit structure during the year 2002-03. This network covered cent percent of Indian villages and more than 70 percent of the rural households.



Source: Reserve Bank of India Bulletin, 2006-07.

Note: Figures in parentheses indicate the number of institutions at the end of March 2007 for urban cooperative banks and at the end of March 2006 for rural cooperative credit institutions.

4.3.2 Functions of Cooperative Credit Institutions

The Primary Agriculture Credit Societies perform functions at the village level in meeting the short term and medium-term credit needs of the farmers. It is the basic Cooperative Credit Institution at the grass-roots level and forms a link between financial borrower on the one hand and the higher financial agencies like Central Cooperative Banks and State Cooperative Banks on the other.

The Central Cooperative Banks is the intermediate Cooperative Credit Structure and provide finance to the Primary Cooperative Credit Societies. They mainly

provide shortterm loans to the primary societies. They also supervise and inspect the work and functions of primary societies under their jurisdiction. The State Cooperative Bank is the apex of the three tier Cooperative Credit structure. It is the only important Cooperative Credit Institution at the State level through which Reserve Bank of India provides credit to the Cooperatives. They raise finance on their own in order to provide them to CCBs and PACSS. They also supervise and control the CCBs under them.

4.4 RURAL BANKING SYSTEM: CONCEPT AND STRUCTURE

Rural banking as a concept emerged in the Indian context only after the nationalization of commercial banks although the cooperatives were in service ever since the beginning of the 20th century and the erstwhile colonial government made arrangements for purveyance of credit for agriculture under the banner '*Taccavi Loans*' even in the later part of the 19th century. It was the nationalization of the commercial banks in 1969 which brought the commercial banks to the rural sector particularly for lending to agriculture and allied sectors. After this remarkable event lending to rural sector is being shared by cooperatives and commercial banks. Later, Regional Rural Banks (RRBs), a hybrid banking structure with cooperative and commercial characters were formed exclusively for the purpose of promoting rural banking. Thus, the rural banking means the institutional arrangements made for meeting the credit needs of agriculture and allied sectors and also other development oriented activities in the rural areas.

Constituents of Rural Banking

Institutional Agencies	Non-Institutional Agencies (NIA)
Cooperatives	Landlords
Commercial Banks	Agricultural moneylenders
Regional Rural Banks	Professional moneylenders
Micro Finance Institutions	Traders & Commission Agents
	Relatives & Friends

4.4.1 Commercial Banks

Commercial banks include public sector, nationalized banks and private sector banks. In addition to the mobilization of deposits and lending of money, the commercial banks serve as custodians of the customers' valuables, finance import and export trade, deal with bills of exchange, bills of lading, railway and warehouse receipts, etc.

The main functions of commercial banks include accepting deposits from the public. The lending of loans for various purposes and providing banking services to the people. The various type of deposits accepted by the commercial banks are demand deposits like savings, current, time deposits, cash certificates, pension, double benefit scheme and other deposits suitable to different type of customers.

Another major function is to make loans and advances, divert loans and advances and given to businessmen, investors and other persons, agencies, personal

securities, gold and silver and other movable and immovable assets. The most common way of lending is by overdraft facilities and also through bills of exchange. The bank mobilizes deposits and lends the same for commerce, trade and industry.

In the past commercial banks did not supply any credit to agricultural sector. The survey conducted by RBI revealed that the commercial banks could deliver the agricultural credit to the extent of 2% only. They confined their lending mainly to trade, commerce and industry. As a first step in the country, State Bank of India started 400 branches in the rural areas from 1956 and they were directed to lend credit for agricultural activities. Subsequently, 14 major commercial banks of the country were nationalized on 19th July 1969 and another batch of 6 commercial banks were nationalized on 1st April 1989. There were 28 public sector banks in India when the SBI and its subsidiaries were included in the list. Both nationalisation of banks and the introduction of multi-agency approach promoted the branch expansion programme in the rural areas with following objectives:

- i) to mobilize untapped savings of the rural areas
- ii) to channel credit to agriculture, village and cottage industries and to self employed activities
- iii) to meet the credit needs of the weaker sections of the community.

During the year 1969, the commercial banks opened 22.4% of the total offices (branches) in rural areas, which was increased to 58% during the year 1990. The credit to agriculture in the form of short term and long term amounting to Rs.27,807 crores, Rs.33,587 crores and Rs.39,774 crores for the year 2000-01, 2001-02 and 2002-03 respectively. The share of credit to agriculture through RRBs accounted to 53%, 54% and 57% respectively during the above period.

4.4.2 Commercial Banks Vs Cooperative Banks

The basic characteristics, which distinguish cooperative banks from private and public sector banks are:

- a) The main objective behind cooperative business is to serve their own members who often belong to the weaker sections of the community. On the contrary, private sector banks are formed with profit motive.
- b) The cooperative banks working are subjected to dual control by the Registrar of Cooperative Societies and Reserve Bank of India while private and public sector banks are under RBI's control.

Differences between Cooperative and Commercial Banking

Cooperative Banking	Commercial Banking
Service is the main motto of cooperative banks. Help to small farmers, marginal farmers, scheduled caste and scheduled tribes, weaker sections of the community are given priority. Lending to small scale industries, cottage and village industries is considered.	Safety, liquidity and the profitability are the important guidelines of commercial banks. Big farmers, wholesale traders and large scale industries are taken care of.
Both members and customers are in cooperative banks.	Customers are only in commercial banks.

Honorary and democratic management is adopted	Management is paid
Cooperative banks consist of three tier federal structure viz., state, central and the primary cooperative banks	Commercial banks do not have such structure
State participation is available i.e., contribution of share capital by the government to cooperative banks	There is no share capital participation from the government
Both state cooperative societies act, and banking regulation act control cooperative banks	Banking regulation act control the commercial banks
Main objective of cooperative banks is to lend for agricultural operations. Urban cooperative banks finance for small traders, artisans, SSI and the people of small means	Commercial banks mainly lend for trade, industry and commerce
These banks lay emphasis on personal character and repaying capacity of the borrower, while lending	Security is very much considered while lending
Very few loans like deposit loan, consumer loan, gold loan are sanctioned by managers of cooperative banks and the loans are sanctioned mainly by the board of management	All loans are sanctioned by officers
Audit is done by cooperative department or cooperative audit department	Banks arrange their own audit
Inspection is conducted both by cooperative department officers, RBI/NABARD in case of cooperative banks	RBI conduct inspection
Limited dividend on share capital and distribution of net profit as per cooperative societies act, rules and byelaws	Very high dividend is paid

Status of Cooperative Banks, 2005

Cooperative Banks	Numbers
State Cooperative Banks and Branches	983
District Central Cooperative Banks and Branches	13226
Primary Agricultural Cooperative Societies	108779
SCARDBs and Branches	797
PCARDBs and Branches	1820
Urban Cooperative Banks and Branches	2090
Industrial Cooperative Banks and Branches	30
Employees Cooperative Banks and Branches	NA
NA: Not Available	

Commercial banks including RRBs	Numbers
Commercial banks	495
Metro branches	8631
Urban branches	10888
Semi-urban branches	16561
Rural branches	44503
Total outlets	81078

4.4.3 Regional Rural Banks

Regional Rural Banks (RRBs) are the subsidiaries of the commercial banks. The preamble to the RRBs Act, 1976 states that the object of setting up the RRBs is to develop the rural economy “by providing for the purpose of development agriculture, trade, commerce, industry and other productive activities in the rural areas like credit and other facilities, particularly to the small and marginal farmers”.

The RRBs Act empowers the Central Government to establish these banks at places where it considered necessary. These banks are jointly owned by Government of India, the Government of the State in which the banks are established and the banks which sponsors it. They accept all types of deposits from the public, lending various loans required by the farmers and others including the issue of jewel loan and transact their business as defined in the Banking Regulation Act. As on March 1994, 196 RRBs were functioning with 14546 branches. They covered 405 districts in 23 states and had total deposits of Rs.8,045 crores which formed 2.3% of the total deposits of the banking system.

As at the end of 2001, there were 196 RRBs catering to the credit requirements of 451 districts. At the end of 2001, the outstanding deposits, credit and investments of RRBs stood at Rs.37,027 crores, Rs.15,579 crores and Rs.7546 crores respectively. The credit to agriculture in the form of short term and long term amounting to Rs.4,219 crores, Rs.4,854 crores and Rs.6070 crores for the years 2000-01, 2001-02 and 2002-03 respectively. Due to amalgamation, the number of RRBs was reduced to 133 as on 31st March 2006 and the loans issued by them were for Rs.32, 871 crores out of which priority sector was 79.3 per cent.

4.4.4 Land Development Banks (LDBs)

Land Development Banks (LDBs) provides long term (15 to 30 years) credit in the agriculture sector. They were earlier called as Land Mortgage Banks (LMBs). They give loan primarily for investment purposes. In some States, they have two tier structure with State level Cooperative Land Development Bank at the apex and at the village level the Primary Land Development Banks.

In these sessions you read about the role of cooperative credit delivery system and now answer the questions given in Check Your Progress-2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

- 1) What do you understand by rural banking and what are the important constituents of rural banking?

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4.5 NON-INSTITUTIONAL CREDIT AGENCIES: NATURE AND FUNCTIONING

The NIAs are also termed as unregulated or unorganized market or informal finance or indigenous financial market. The NIAs are largely beyond the official formalities and to a greater extent the transactions remain outside the official statistics. Its operations are on a small scale and the transactions are localized. The NIAs, however, are quite efficient because they (i) provide timely service at the doorsteps, (ii) accept deposits of any amount (iii) extend credit of any amount for any purpose and (iv) do not insist on complex formalities. They have large capital and greater risk absorbing capacity. The NIAs, because of their informal existence in a given locality they have full information about the clients.

The NIAs are heterogeneous by nature. It is associated with number of intermediaries such as pawnshops, merchants, petty traders, landlords, indigenous bankers and other private borrowing and lending arrangements. The All-India Debt and Investment Survey (AIDIS) 1951 – 52 to 2001 - 02 discussed 6 types of players in this market viz., agricultural moneylenders, professional moneylenders, landlords, traders, friends and relatives and others. A brief note on these six NIAs is as under.

4.5.1 Moneylenders

Moneylenders occupy a predominant position among the NIAs in providing rural finance because the household needs of rural people are not confined only to production credit. Banking is essentially borrowing and lending. The moneylenders do not accept deposits, but they simply lend money and therefore, their business lacks an important element of banking namely accepting deposits. They charge higher rates of interest. There are two kinds of moneylenders in the villages:

- 1) Professional Moneylenders whose main occupation is money lending;
- 2) Non – professional moneylenders whose main occupation is something else like farming but subsidiary occupation is money lending.

Both kinds moneylenders are accessible to farmers at times need. They have thorough knowledge of the borrowers. They lend against land, promissory note and other properties for higher rate of interest. For them, money lending is the best known source of investment. The All India Rural Credit Survey Committee commented that moneylenders not only have an opportunity of amassing wealth mainly through the snowballing of compound interest charges, but also get innumerable pecuniary benefits by acquiring a thorough grip over the peasant's life.

4.5.2 Landlords and others

The small farmers have the practice of borrowing money from their landlords. The landlords offer credit based on the landholdings of the borrower farmers. They act as non-professional moneylenders. They occupy the lands of farmer – borrowers who do not settle the amount. Consequently, the small farmers are forced to become landless labourers.

4.5.3 Trader and Commission Agents

Traders and commission agents provide credit to the farmers based on the condition that the farmers should sell their produces to them. They normally fix a low price for the produces than the price prevailing in the market. They deduct commission and other charges towards the repayment of loan amount.

4.5.4 Friends and Relatives

Friends and relatives are the most popular sources of rural credit. They lend money to fulfil the urgent requirements to the selected persons with or without consideration. But money lending is not a profession for them.

4.5.5 Others

It refers to any other non-institutional credit agency functioning in villages. Chit funds are also fulfilling the financial needs of the rural households. The persons dealing with Chit fund contribute certain amount periodically as an instalment for a fixed period of time. Generally, the first instalment contribution was taken by the promoter as remuneration. The subsequent contributions will be distributed to the members as loan either by orderly rotation or by lots system.

4.5.6 Market Share of the NIAs

Among the NIAs, Professional Moneylenders are in the top position. Though the relative share of these groups varies over the years their grip over the Rural Credit Market (RCM) has not been loosened. According to the All India Rural Credit Survey Committee (1954), the share of the NIAs in the total rural credit was 92.7 percent in 1951-52. The percentage came down to 81.3 in 1961-62 and further to 68.3 in 1971-72. The Cooperative Banks did not make much progress before independence in reducing the role of NIAs. The nationalization of the CBs and the emergence of RRBs widened the branch network in rural areas which helped reducing the market share of NIAs from 36.8 per cent in 1981-82 to 30.6 per cent in 1991-92 in the RCM. But again, the share of NIAs has increased up to 42.9 percent in the year 2001 – 02. The dominance of NIAs in the RCM has remained as a factor to be reckoned with.

Agency	1951 -52@	1961 -62#	1971 -72*	1981 -82*	1991 -92*	2001 -02
Government	3.3	2.6	7.1	3.9	5.7	5.3
Cooperatives	3.1	15.5	22.0	29.9	23.6	27.3
Commercial banks	0.9	0.6	2.4	28.9	35.2	24.5
Others	-	-	0.2	0.5	0.7	-
All Institutional Agencies	7.3	18.7	31.7	63.2	66.3	57.1
Landlords	1.5	0.6	8.1	3.6	3.7	2.2
Agricultural moneylenders	24.9	36.0	23.0	8.3	6.8	8.1
Professional moneylenders	44.8	13.2	13.1	7.8	10.7	21.5
Traders & Commission Agents	5.5	8.8	8.4	3.2	2.2	3.2
Relatives & Friends	16.2	8.8	13.1	8.7	4.6	6.7
Others	1.8	13.9	2.6	5.2	2.6	1.2
Non-Institutional Agencies	92.7	81.3	68.3	36.8	30.6	42.9
All Agencies	100.0	100.0	100.0	100.0	100.0	100

Sources:

- 1) @ Report of the All-India Rural Credit Survey Committee, Abridged Ed., (1954), p.6
- 2) # All India Debt and Investment Survey 1961, Quoted by Tandon P.L., A Profile of Rural Indebtedness, Social Scientist, Vol.1 6(4), 1988.
- 3) *GOI (1998), Debt and Investment Survey, Report 420, p.26.
- 4) Compiled from various publications of NSSO (1998a, 1998b and 2005).

4.6 ISSUES AND CHALLENGES OF COOPERATIVES AND BANKING

Some of the problems and issues relating to Cooperative banking in India are as follows:

- 1) “Cooperation” is a State subject under the Indian Constitution; hence all the cooperative Societies are governed by the Cooperative Societies Act of the State. Therefore, the performance of Cooperatives varies from State to State and solely depends on the governance system of the concerned State.
- 2) There is lack of adequate human capital for energising the cooperative Societies at the State level. Further, it was generally found the staff profile of the Cooperatives is characterised by inadequate qualification and training.
- 3) The poor recovery of outstanding credit by the rural cooperative banks makes them unsustainable. Therefore, the financial health of Cooperative banks in many States of India is not sound.

- 4) Because system varies from State to State, there is no standardized business model and risk management system.
- 5) There is overemphasis on agricultural credit where the repayment capability is generally low. The lack of diversification is one of the factor of poor performance of rural Cooperatives in India.
- 6) The globalization has completely overlooked the role of Cooperatives in development. Throughout the reform decade 1991-2000, the role and relevance of the Cooperative sector remained on the background. The transition from controlled economy to open economy in the name of globalization or liberalization has thrown a whole lot of challenges to the Cooperative sector. It is feared that Cooperative sector may not be survived in the face of the stiff competition posed by the private sector.

4.7 STEPS NEEDED FOR PROMOTION OF RURAL COOPERATIVES AND BANKING

Countries like India have to take certain basic steps to promote cooperative banks. They are listed hereunder:

To mobilize rural savings – In a vast country like India, rural population is spread out to remote places. They are unable to get banking services by the established banking organizations like the commercial banks. Year after year, the income of the rural population is increasing and they need to have a safe modern banking structure. Cooperative banks can provide banking facilities and can mobilize the savings of the rural population.

To inculcate banking habits – At the rural areas, people are mainly uneducated and they do not have formal education to read and write. But at the same time, such people would like to know the banking habits of opening a bank account, depositing money, and withdrawing money. A commercial bank cannot come to the lower level of such poor people and can extend banking services. On the other hand, a cooperative banker can extend the banking services to the uneducated rural population. In many developing countries, the cooperative banks, credit unions, and micro-finance institutions have been providing banking habits to the rural population.

To mobilize resources for the expansion of cooperatives – Various cooperatives like agricultural cooperatives, producers' cooperatives, industrial cooperatives, housing cooperatives, etc are expanding fast. But their major problem is lack of finance to meet their investment opportunities and business activities. So, the cooperative movement must raise resources within the movement by means of organizing cooperative banks at various stages like the primary level, district level, and state level.

To attain self-reliance in resources – One of the preconditions for the operational efficiency and the successful working of cooperatives is to be self-reliant in the financial resources. For this purpose, a cooperative must raise resources by way of owned funds and by deposits. Cooperative banks are the best agencies to mobilize deposits from various sources and deploy them to other cooperatives that are in need of working capital and long-term capital.

To create new investments – Existing cooperatives add more businesses, which are cost intensive. A primary cooperative can first provide agricultural credit to the farmers. Later, it can undertake marketing activities, processing activities, hiring of machineries, construction of godowns, etc. For such new investments, the cooperatives need heavy finance, which could be provided by the cooperative banks.

To create new assets -By means of new investments, new assets could be created to the cooperatives. For example, cooperative processing units like cooperative sugar factories add new units like liquor units, paper units, etc, which could create new asset and income generating capacity to the cooperatives.

New employment opportunities – One of the objectives of cooperatives is to provide employment opportunity to the members and the people around them. New employment opportunities could be created by means of new investments mentioned above. For this purpose, the needed investment must come from the cooperative banks.

Balancing centre function – Balancing centre function means, re-distributing the surplus funds from one cooperative to the other cooperatives. Such balancing centre activity can be undertaken by state level cooperative banks and national level cooperative banks for their lower level cooperative unions. Through this balancing function, the shortage of funds in one cooperative could be managed by drawing the surplus funds from the other cooperative banks.

Branch banking – Cooperatives banks have to go a long way in developing their activities by means of opening branches. Branch banking alone can expand the financial operations and business activities of cooperatives. Rural banking can also be undertaken by branch banking.

To develop processing and marketing cooperatives – Marketing and processing cooperatives are very essential to change the income and the destiny of the farmers. Only these cooperatives can provide value-addition to their commodities and increase their income. These cooperatives can also release the farmers from the exploitation of middlemen and traders. Such cooperatives need heavy finance, which could be provided by cooperative banks.

- 1) *To create link with international cooperative banks* – Cooperative banks in various countries have created national cooperative banks and such national cooperative banks have created international cooperative banking federation named as “International Cooperative Bank Association (ICBA)”. This unit is working under the auspicious of Internal Cooperative Alliance.

In these sessions you read about the steps to be undertaken for the promotion of rural credit system and now answer the questions given in Check Your Progress-3

Check Your Progress 3

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

- 1) Highlight few of the issues and challenges involved in Cooperative banking?

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4.8 LET US SUM UP

In the foregoing pages, the concept of rural banking and the constituents viz., institutional and non-institutional agencies are discussed. The structure of cooperative credit, need for cooperative credit societies are also explained. The role of commercial banks and RRBs are also discussed. A discussion on the differences between commercial banks and cooperatives and the role of cooperatives in rural development gives a very fair idea on the justification for the existence of cooperatives as the best suited institutional agency in the overall rural banking setup.

4.9 REFERENCES AND SELECTED READINGS

- 1) B.S. Mathur (2000), *Cooperation in India*, Sahitya Bhavan Publishers & Distributors P Ltd, Agra.
- 2) *Encyclopedia of Cooperative Management: Volume II – Cooperatives and Rural Development*, Deep and Deep publications, New Delhi – 27.
- 3) Reserve Bank of India (RBI). (2000). Annual Report.
- 4) Vaikunth Mehta (2010), *The Cooperative Perspective*, National Institute of Cooperative Management, Pune.
- 5) www.ncui.org
- 6) www.ncdc.nic.in

4.10 CHECK YOUR PROGRESS- POSSIBLE ANSWERS

Check Your Progress 1

- 1) Enumerate the objectives of Rural Cooperative Credit?

The objectives of rural cooperative credit are to improve low standard of living of rural people; to help augment rural sector production and thereby strengthen the rural economy; to provide cheap credit to those who are willing and capable of producing more through added inputs and efficient management so that recovery could be easily made; to develop resourcefulness of borrowers particularly weaker sections; to encourage rural borrowers to adopt technology ensuing greater production; and to inculcate thrift and savings among the rural people through better use of credit.

- 1) What do you understand by rural banking and what are the important constituents of rural banking?

The rural banking means the institutional arrangements made for meeting the credit needs of agriculture and allied sectors and also other development oriented activities in the rural areas. The constituents of rural banking are classified as Institutional agencies and Non institutional agencies. The Institutional agencies are Cooperatives, Commercial Banks, Regional Rural Banks and Micro Finance Institutions while the non institutional agencies are Landlords, Agricultural moneylenders, Professional moneylenders, Traders & Commission Agents and Relatives & Friends

Check Your Progress 3

- 1) Highlight few of the issues and challenges involved in Cooperatives banking?

Some of the issues and challenges faced by the Cooperative banking are firstly the performance of Cooperatives varies from State to State and solely depend on the governance system of the concerned State. There is lack of adequate human capital for energising the cooperative Societies at the State level and the poor recovery of outstanding credit by the rural cooperative banks makes them unsustainable. Also there is no standardized business model and risk management system. The lack of diversification is one of the factor of poor performance of rural Cooperatives in India. The biggest threat is the stiff competition posed by the private sector in an era of globalization.

UNIT 5 RURAL POVERTY UNEMPLOYMENT AND DEVELOPMENT INTERVENTIONS

Structure:

- 5.1 Introduction
- 5.2 Status of Rural Poverty and Unemployment in India
- 5.3 Measures Taken by the Government for Alleviation of Poverty and Unemployment in India
- 5.4 Let Us Sum Up
- 5.5 References and Selected Reading
- 5.6 Check Your Progress-Possible Answer

5.1 INTRODUCTION

Poverty is a scourge on humanity and is one of the greatest enemies of development. India's first Prime Minister Jawaharlal Nehru declared after independence "the First problem before us is to end the poverty of our peasant and how to end it quickly and if the independence of the country will not put on end to this poverty, then I say to hell with such independence." Human Development Report-2005 published by UNDP has envisaged "Fighting hunger and poverty and promoting development are the truly sustainable way to achieve World peace..... There will be no peace without development and there will be neither peace nor development without social justice." Like poverty unemployment is also another malady which hinders economic development in rural areas. The problem of employment assumes great importance due to the fact that every year with the growth in population, a certain percentage of population is added to the country's labour force seeking employment opportunities. It is remarked that in India unemployment has become a complex phenomenon, which is relatively easy to notice but hard to define. Unemployment and underemployment are also a cause of endurance of rural poverty. The government of India has initiated many programmes for the removal of poverty and raising employment in rural areas. In this unit, you will study about poverty, unemployment and development initiatives taken by the government for tackling these two problems.

After studying this unit, you should be able to:

- explain the status of poverty in rural areas
- delineate the unemployment conditions in rural areas of India
- describe developmental initiatives taken by the government of India for the alleviation poverty and unemployment in India.

5.2 STATUS OF RURAL POVERTY AND UNEMPLOYMENT IN INDIA

You might have heard that poverty in rural areas is high as compared to that of the urban areas. In this section, you will study about the conditions of poverty and unemployment in rural India.

5.2.1 Rural Poverty

Poverty is an important issue which hinders rural development in India. The World Bank estimates that 456 million Indians (42% of the total Indian population) live under the global poverty line of \$ 1.25 per day. This means that a third of the global poor now reside in India. On the other hand, the Planning Commission of India has estimated that 26.5% of the population was living below the poverty line in 2004-05, down from 51.3% in 1977-78 and 36% in 1993-94. While 61st round of the National Sample Survey by using monthly per capita consumption expenditure below Rs.356.35 from rural areas and Rs.538.60 for urban areas, has found that 75% of the poor are in rural areas and most of them are daily wagers, self employed households and landless labourers.

Table 1: Percentage Living Below Poverty Line (BPL) and Hunger in Rural India

States	% of BPL Families *	% of Hunger
Andhra Pradesh	10.5	1.9
Assam	40.2	7.1
Bihar	44.0	6.0
Gujarat	12.4	0.5
Haryana	7.4	1.5
Himachal Pradesh	7.5	—
Karnataka	16.9	0.9
Kerala	9.4	2.9
Madhya Pradesh	37.2	3.1
Maharashtra	23.3	1.9
Orissa	47.8	8.0
Punjab	6.0	0.2
Rajasthan	13.4	0.2
Tamil Nadu	20.1	0.7
Uttar Pradesh	31.0	2.1
West Bengal	31.7	10.4
India	26.5	3.3

Source: * National Human Development Report, National Planning Commission, New Delhi, 2001 + Vidya Sagar "Food Security in India" in V.S.Dayas (ed) Food Security in Asian Countries in the Context of Millennium Goals, Academic Foundation, New Delhi-2003

According to the National Planning Commission estimation three States having more than 40 per cent of population living below the poverty line in rural areas are Assam, Bihar and Orissa. The incident of poverty is high among the Scheduled Castes, Scheduled Tribes, landless labourers, backward minorities and landless women headed household. Vidya Sagar in his article Food Security in India has envisaged that 3.3 per cent of people are living in hunger in rural India. The percentage are high in West Bengal, Orissa, Assam and Bihar, 10.4, 8.0, 7.1 and

6.0 respectively. Poverty in general and chronic poverty in particular leads to hunger. Despite several poverty eradication measures, it persists in rural India because of landlessness, low productivity, low wages, sporadic employment opportunities, corruption, bad governance and unfriendly geo physical conditions in a few states.

There is a strong relationship between possession of livestock and household poverty in rural areas. For example, possession of livestock such as milched buffalos and cows in rural Punjab and Haryana and even in Western Uttar Pradesh plays important role in mitigation of rural poverty in these states. In the states like Jammu and Kashmir and Himachal Pradesh, the possession of goats and sheep by the rural household has ensured sustainable livestock to rural population. The figure in Table-2 depicts that families with cow and buffalos experience lower poverty of 8.0% than their counterpart with no such livestock (28 percent). Therefore, well developed agriculture and allied sectors have profound effect on reducing poverty in rural areas.

Table 2: Impact of Livestock on Alleviation of Hunger and Poverty in Rural India (in percentage)

Livestock	Hunger	Poor
None	36	28
Cow	31	25
Buffalo	26	18
Cow and Buffalo	14	8

Source: IARI – FAO RAP Study (2001) based on 50TH NSSO Round (1993-94)

5.2.2 Rural Unemployment

Poverty and Unemployment are the two side of a coin. There is a strong relationship between unemployment and poverty. Both of these have adverse impact on development in rural areas. The 60th round of NSSO Survey conducted in January-June 2004 has depicted that about 72 per cent of households belonged to rural India and which accounted for 75 percent of total population. According to the usual principal and subsidiary statue taken together, nearly 44 percent of them are in labour force, out of which 55 percent are male and 32 percent are female. Further, in rural areas about 66 percent of usually employed males and 84 percent of usually employed females are engaged in agriculture sector.

The NSSO 60th round Survey conducted in January-June 2004 has estimated the unemployment rate that number of person unemployed per 1000 persons in the rural areas are 23, 46 and 91 respectively for usual principal status, current weekly status and current daily status.

Table 3: Unemployment Rate in Rural Areas

Categories	Male	Female	Total
Usual principal status	24	22	23
Currently weekly status	47	45	46
Current Daily Status	90	93	91

Source: NSSO, 60th Round, January-June, 2004 and Economic Survey 2005-06.

Sundaram and Tendulkar (2003) by using NSSO data and All India Poverty Line date have calculated the percentages of unemployed below poverty line among ST, SC and OBCs and others at all India level in rural areas are 38.5, 29.4, 24.5 and 15.3 respectively.

Some of the findings from the NSSO with regard to unemployment derived by Ray and Chand are as follows:

- i) The distribution of unemployed persons by educational level shows that majority of unemployed in rural areas are literate.
- ii) In rural areas the percentages of illiterate unemployed among ST, SC, OBC and others are 17.6, 11.8, 4.8 and 3.6 respectively. While the percentage of unemployed with secondary and above education are 45.3, 50.2, 59.4 and 65.6 respectively for ST, SC, OBC and others categories of population.
- iii) The distribution of unemployed person by age groups shows that the majority belongs to age group 15-29 years. The percentages of unemployed in the age group of 15-29 years for ST, SC, OBC and Others in rural areas are 86.4, 86.0, 86.8 and 87.4 per cent respectively.

Unemployed among the educated youth is a serious problem. A data depicts that the number of unemployed in the age group of 29-39 years registered with the state employment exchanges was over 30 Million by 2003 end, out of these 16 per cent belonged to SCs, 5.6 belong to STs and 19.9 per cent of the OBC categories. However, it is believed that the long period unemployment will have serious repercussion on the youth.

The adverse effect of unemployment on youth would be:

- i) Early unemployment in an individual may permanently impair his or her future productive capacity.
- ii) Prolonged joblessness may create frustrations in the mind of an individual and create serious social problems such as drug abuse, alcoholism, petty crime, late marriage and single parent families.
- iii) High degree of youth unemployment may alienate youths from the mainstream and from social, cultural and democratic political processes.
- iv) Delay in getting employment may lead to pre marital and extra marital sex among youth and result in enhanced reproductive health problems such as STDs and HIV/AIDS among youth in the society.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Give a brief account of Poverty in India

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5.3 MEASURES TAKEN BY THE GOVERNMENT FOR THE ALLEVIATION OF POVERTY AND UNEMPLOYMENT IN INDIA

More than 70 per cent of India's population is living in rural space. During the time of independence this percentage was quite high. Therefore, soon after independence and with implementation of Five Year Plan, the main thrust of the Government was removal of poverty, hunger and unemployment from the country. Jawaharlal Nehru while delivering speech in the Constituent Assembly in the mid-night of the day of Independence said "The service of India means the service of the Million who suffer. It means the ending of poverty, ignorance, diseases and inequality of opportunity. The ambition of the greatest man of our generation has been the wipe every tear from every eye. That may be beyond us, but as long as there are tears and sufferings, so long our work will not be over." The eradication of poverty and creation of employment was the main thrust of our planned endeavour. The Sixth Five Year Plan laid special emphasis on raising the level of productive employment, especially rural employment. Some of the measures taken by the Government for the eradication of poverty and unemployment from rural areas are could be broadly categorized into four types:

- i) Area Development Programme
- ii) Integrated Development Programme
- iii) Wage Employment Programme
- iv) Self-Employment Programme
- v) Social Benefit Programme

5.3.1 Area Development Programme

- 1) **Drought Prone Area Development Programme (DPAP)** – The DPAP was launched in 1973 with the objective to develop adequate infrastructure and bring about integrated area development; and to increase productivity and employment opportunities. The thrust areas of the programme are (i) water management; (ii) soil and moisture conservation; (iii) afforestation; (iv) livestock development; (v) promotion of draught resistant crops; (vi) diversification of agriculture and (vii) pasture development.
- 2) **Command Area Development Programme (CADP)** – The CADP was launched in 1974-75 with the main objective of improving the utilization of

created irrigation; potential and optimising agricultural productivity. The programme enhanced the irrigation facility and productivity in various states. It had helped to ameliorate poverty and create employment opportunity in rural areas.

3) Hill Areas Development Programme (HADP)

The HADP was launched in 1975 with two main objectives (i) eco restoration, eco development and eco preservation; and (ii) economic upliftment of the tribals. The activities undertaken under the scheme are development of land use plan' conserve soil and water to increase productivity of land by using vegetative methods and changing cropping pattern; promotion of non conventional energy sources; and economic upliftments of tribals in isolated locations and settlements. The programme basically aimed poverty reduction and employment generation among the people residing in hilly areas.

- 4) Desert Development Programme (DDP)** – The DDP was launched in 1975. The main objective of the programme was to combat draughts and desertification and to raise the livelihood conditions of the people living in those areas. The activities undertaken were restoration of ecological balance, soil and water conservation, stabilize sand dunes and take care of livestock and people. The programme strived to improve the economic condition of the people through the creation, widening and equitable distribution of resources and increased employment opportunities.

5.3. 2 Integrated Development Programme

Some of the important integrated development programmes initiated by the government of India for the development of rural areas are as follows.

1) Small Farmers Development Agency (SFDA) / Marginal Farmers and Agricultural Labourers Development Agencies (MFALDA):

These two agencies were set up in 1971. The main thrust of the SFDA was to identify small farmers and make them available various facilities i.e.

- i) Arrangement for irrigation
- ii) Credit facilities for digging wells and tube-wells
- iii) Make availability of improved seeds, fertilizers and machinery for land levelling
- iv) Provide facilities of storage, transportation, processing and marketing of their product
- v) Render other essential services like Credit, Training and other raw materials

The main thrust of the SFDA was to prepare appropriate plans to improve the economic condition of poor.

The MFALDA had following emphasis:

- i) identify marginal farmers and agricultural labourers.
- ii) formulate economic programme for providing them gainful employment

- iii) providing facilities for the production, processing, storage and marketing of their products
- iv) make provision of adequate institutional, financial and administrative arrangement for the economic well-being of these poor group of farmers

The various activities promoted under this programme are poultry farming, animal husbandry, agro-industries, art and crafts, carpentry, shoe making, pottery, embroidery and similar kind of vocational employment generating activities.

- 2) 20 Point Programme** – The first 20 Point Programme was announced in July, 1975 and the second in revised form in July, 1982. The main objectives of the programme was ensuring social justice, relieving unemployment and eradicating poverty. In 1986, the Government again restructured the programme and with the stated goal to “remove poverty and create further employment.”

Some of the thrust enshrined as attack on poverty are as follows:

- i) Effective implementation of poverty eradication programme in every village.
- ii) Dovetail wage employment programme with programmes for areas development and human resource development and create national and community assets like school buildings, roads, tanks and fodder reserves.
- iii) Correlate various rural development programmes to improve productivity, production and expand rural employment.
- iv) Promote handlooms, handicrafts, village and small industries and improve skills for self-employment.

- 3) Integrated Rural Development Programme (IRDP)** – The IRDP programme was launched in 1980. The main purpose of the scheme was instead of multiplicity of programmes operated through multiple agencies for the upliftment of rural poor, as single integrated programme was suggested. The main objective is to enable the selected families to cross the poverty line through a strategy of productive assets endowment. The programme aims at making the family economically viable and self sustaining. The thrust areas of the programme are as follows:

- i) Raise the production and productivity in agriculture and allied sector by providing access to inputs like water, improved seeds and fertilizers to the rural poor.
- ii) Diversification of agriculture through animal husbandry, dairying, forestry, fishery, sericulture etc.
- iii) Promotion of post harvesting technology and agro processing industries.

The programme aims at integrated development of primary secondary and tertiary sectors. In the primary sector programmes for agriculture, animal husbandry, fisheries and forestry development will be identified. The secondary sector will focus on the programmes for village and cottage industries, skill formation and supporting service. While the tertiary sector be developed by creating facilities

for organized marketing, processing and allied activities for observing increasing number of local people.

5.3.3 Wage Employment Programme

i) **National Rural Employment Programme (NREP)** – The NREP was launched in 1980 as a centrally sponsored scheme on 50:50 sharing basis between the centre and the states, The three main objectives of the scheme are

- a) generating additional gainful employment
- b) creating durable community assets
- c) improving overall quality of life in rural areas

All types of work which aim at creating durable community assets such as village road, ponds, water bodies etc., were undertaken in the programme. The identified works based on the felt needs of the rural community are passed in the Gram Sabha. Later on these projects are implemented through the village panchayats.

ii) **Rural Landless Employment Guarantee Programme (RLEGP):** RLEGP was launched in the year 1983. The main goal of the programme was to generate additional employment in rural areas particularly for the landless workers. The programme was a central scheme, fully funded by the Central Government. The programme like the NREP also aimed at improving the quality of life of the people living in rural areas and to create productive and durable assets for strengthening rural infrastructure.

iii) **Food for Work Programme (FFWP):** FFWP was launched in the year 1977. The aim was to generate additional gainful employment in rural areas, create durable community assets, strengthen social and rural infrastructure and to raise standard of living. The wages were paid in the form of food grains and government surplus stocks were used for the purpose of ensuring food grain supply. Some of the important objectives of the programme are:

- To provide supplementary resources along with other aids to the rural poor of the backward districts
- To provide supplementary wage employment to the poor rural populace of the backward districts
- To provide security pertaining to food to the rural poor of the backward districts
- To facilitate the creation of common economic and social assets for the rural areas

iv) **Jawahar Rozgar Yojana (JRY):** JRY was launched in 1989 by merging the two scheme such as NREP and RLEGP. The JRY aims to alleviate poverty through creating supplementary employment opportunities for the rural poor during agricultural slack periods. The other objectives of the scheme are creation of social assets such as roads, public forests, school building etc. The fund under JRY is shared between the Centre and the states on 80:20 basis.

v) **Employment Assurance Scheme (EAS):** The EAS was launched in 1993-94 for creating additional employment in rural areas for rural poor. EAS is quite similar to JRY except than as assurance of 100 days employment (unskilled manual work) on minimum wage up to two members of a family in the age group of 18 to 60 years to all those rural poor who seek employment in the lean agro season.

vi) **Sampoorna Grameen Rozgar Yojana (SGRY)** – SGRY was launched in 2001 by merging two schemes such as EAS and JGSY (Jawahar Gram Samridhi Yojana) with the objective of providing additional wage employment and food security to rural poor. Special emphasis was given on women, scheduled castes, scheduled tribes and parents of children withdrawn from hazardous occupations. The wages under the scheme shall be partly in food grains and partly in cash. The programme aims at creation of durable community assets. Under the programme 50% of the funds and food grains was made available in Zilla Parishad and Intermediate Panchayats in the ratio of 40:60 for implementation and other 50% of funds and food grains is available to village panchayat for implementation. The programme was implemented as a centrally sponsored scheme on cost sharing basis between the centre and the states in the ratio of 75:25 of the cash component of the programme. Food grains is supplied free of cost to the state by the centre.

vii) **The National Rural Employment Guarantee Scheme**

The NREGS was launched in 2004 in 200 backward districts and later on extended to the entire district in the country in 2008. The National Rural Employment Guarantee Act (NREGS) (herein after referred as NREGS) was enacted in 2005 aims at to provide a minimum guaranteed wage employment of 100 days in every financial year to rural households with unemployed adult members prepared to do unskilled manual work. The scheme is a strategic attempt to fight the conundrums of poverty and unemployment, which are intrinsically interlinked. The NREGS indirectly aims at making employment as a human right.

It is pertinent to note here that three articles of the constitution of India have bearing on the right to work and these are listed in the Directive Principles of State Policy. Those are: (i) Article 39 envisage that the state to direct its policy towards securing for all its citizens, men and women, the right to an adequate means of livelihood. Article 41 enjoins the state to make effective provision for securing the right to work, to education and to public assistance in case of unemployment, old age, sickness and disablement and in any other of undeserved want, all within the economic capacity of the state. Article 43 direct the state to secure to all its citizens, work, living wage conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities. Unemployment is a cause of poverty.

Salient features of the NREGS

Some of the salient features of NREGS are as follows:

- i) At least 100 days of employment for at least one able-bodied person in every rural household;

- ii) Minimum wages on rate prevailing in states as per Minimum Wage Act-1948 and centre to step in if wages go up beyond minimum or less than rupees 60;
- iii) Panchayats to finalize, approve, implement and monitor the projects. The scheme shall not permit engaging any contractor for implementation of the projects;
- iv) The task under the scheme shall be performed by using manual labour and not machines;
- v) A minimum of 33 per cent reservation to be made for women, where the number of applicant is very large;
- vi) The scheme will ensure transparency and accountability at all level of implementation; and
- vii) All accounts and records relating to the scheme shall be made available for public scrutiny.

Strategies of the NREGS

Some of the strategies adopted in NREGS are as follows:

- i) Central government meets the cost towards the payment of wage, three fourth of material costs and certain percentage of administrative cost;
- ii) The state government meet the cost towards unemployed allowances, one fourth of material cost and administrative cost;
- iii) Adult members of rural households submit their name, age and address with photos to gram panchayats for registration;
- iv) Block is the basic unit of implementation of NREGS
- v) Gram panchayats are the main implementing agencies; and
- vi) Gram sabha is the main work identifying body.

Mandatory Worksite Facilities

Some of the mandatory work site facilities needed to be available in the work sites of NREGS are:

- Drinking water facilities for the workers of NREGS
- Provision of Shade near the work sites
- Provision of medical aid
- Provision of Crèche, if more than five children below six are present at the work sites of the NREGS

Gender Related Provisions

- Equal wage to both male and female worker employed in NREGS work
- No gender discrimination in employment and wage
- Priority in allocation of work to women and at 33 percent of the NREGS worker in a particular work should be women

Permissible works

- Water conservation activities : (a) digging of ponds and (b) di-silting of ponds

- Small check dam/other harvesting structure
- Afforestation in common land/waste land areas
- Construction of minor irrigation canals
- Repair of minor irrigation facility to SCs/STs
- Di-silting of old canals
- Di-silting of traditional open well
- Land development of common waste areas
- Drainage/Nallah to drain extra water in water logged/flood affected areas
- Construction of embankment for flood control
- Repair of embankment for flood control connecting road to village main road.
- Any other work which may be notified by the central government in consultation with the state government

Cost Sharing

Central government has to pay for:

- Wage costs
- 75% of material costs
- Some administrative costs

State governments have to pay for:

- 25% of the material costs
- Other administrative cost
- Unemployment allowances

Social Audits

- Gram sabha will conduct social audits of all work done within the panchayat.
- All relevant document of the NREGS such as work register, muster roll, etc. will be provided by the panchayat to the gram sabha.

It is pertinent to mention here that the NREGS has now been named as Mahatma Gandhi NREGS.

5.3.4 Self Employment Programme

Some of the important self employment programme initiated by the government after independence for the alleviation of poverty in rural areas are discussed below

- 1) **Development of Women and Children in Rural Areas (DWCRA):** - The DWCRA was launched during 1982-83 in a sub scheme of IRDP. The primary objective of the scheme is to provide self employment opportunities to the women members of the rural families below the poverty line. A distinct feature of DWCRA is that it is a group strategy as against the family as a Unit of assistance under IRDP.

Under DWCRA, a group of women consisting of 10-15 women encouraged to take up economic activities suited to their skill, aptitude and local

conditions. In addition to the benefits of loan subsidy of IRDP to individual member; each group of women under DWCRA is given a lump sum grant of Rs.15, 000/- as 'revolving fund' for the purchase of raw materials and meet other revolving expenses.

- 2) **Training of Rural Youth for Self Employment (TRYSEM):** - The TRYSEM was launched as a centrally sponsored scheme in 1979. The main aim of the scheme is to generate employment opportunities for the unemployed educated youth. The main thrust of the scheme is to equip the rural youth in the age group of 18-35 years with necessary skills and technology to take up vocational self employment activities in agriculture and allied activities, industry services and business. The training is imparted to these youth through local servicing and industrial units, master craftsman, artisans and skilled workers. The provision of tool kits and subsidy was there for these youth.
- 3) **Support for Training and Employment (STEP):** Under the programme marginalized and asset-less women are provided training in new technologies in agriculture, dairying, horticulture, fisheries handcrafts, handlooms, etc. The women were divided into groups and provided with necessary infrastructure, managerial and marketing support for productive activities on sustainable basis.
- 4) **Swarnajayanti Gram Swarozgar Yojana (SGSY):** The SGSY was launched in 1999 as a centrally sponsored scheme funded by the Centre and the states in the ratio of 75:25. The SGSY was launched by converging IDRP, DWCRA and TRYSEM. The SGSY aims at helping the poor families to bring them above the poverty line, by providing them income generating assets through bank credits and government subsidy.

Three approaches adopted by the SGSY scheme for tackling poverty through self employment are:

- i) helping the individual swarozgaries selected by the Gram Sabha in the village for eradication of poverty.
- ii) organization of the poor in the form of self help groups consisting of 10 to 20 persons through the process of social mobilization (SM) for eradication of their poverty.
- iii) launching special project to ensure a time bound programme for bringing a specific number of BPL families above the poverty line by self employment programmes.

The SGSY also focussed on infrastructure development, skill up-gradation and provision of technology and market support to the poor seeking for self employment. It is pertinent to mention here that SGSY is a credit cum subsidiary programme.

5) **Social Benefit Programmes**

The social benefit programme aims at providing social security in case of old-age, death of primary bread winner and during maternity. The important social benefit schemes are National Old Age Pension Schemes (NOAPS), National Family Benefit Scheme (NFBS) and National Maternity Benefit

Scheme (NMBS) which were launched in 1995. The main aim of these schemes is to provide social security to the disadvantaged, who can not participate in the development process due to their age, sex and infirmity. Under the NFBS, a lump sum cash assistance of Rs. 300 is given to the pregnant women for her first two live births. Besides, these schemes the Annapurna scheme was launched in 2000 in order to provide food security to fulfil the requirement of the senior citizen who though eligible are not covered under the NOAPS.

Check Your Progress 2

- Note:** a) Answer the following questions in about 50 words.
b) Check your answer with possible answers given at the end of the unit.

1) Explain one important self employment programmes initiated in India.

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2) What is the main thrust of Mahatma Gandhi National Rural Employment Guarantee Scheme?

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5.4 LET US SUM UP

In this unit, in its first section, you studied about the status of rural poverty and unemployment in India. The percentage of population living below the poverty line in different states has been given. Besides, the rate of unemployment calculated in India by the NSSO (National Sample Survey Organization) is also given. The second and the last section gives a detail account of the various programmes initiated by the government of India after independence for the alleviation of poverty and unemployment. In the last part of the unit a detail discussion on a important programme recently launched by the government of India for the alleviation of poverty and unemployment called National Rural Employment Guarantee Scheme has been discussed.

5.5 CHECK YOUR PROGRESS-POSSIBLE ANSWERS

Check Your Progress 1

- 1) Give a brief status of poverty in India.

Answer: According to the National Planning Commission estimation three States having more than 40 per cent of population living below the poverty line in rural areas are Assam, Bihar and Orissa. The incident of poverty is high among the Scheduled Castes, Scheduled Tribes, landless labourers, backward minorities and landless women headed household. Vidya Sagar in his article Food Security in India has envisaged that 3.3 per cent of people are living in hunger in rural India. The percentage is high in West Bengal, Orissa, Assam and Bihar, 10.4, 8.0, 7.1 and 6.0 respectively.

- 2) Explain the categories of rural unemployment in India.

Answer: Some of the findings from the NSSO with regard to unemployment derived by Ray and Chand are as follows:

The distribution of unemployed persons by educational level shows that majority of unemployed in rural areas are literate; and ii) In rural areas the percentages of illiterate unemployed among ST, SC, OBC and others are 17.6, 11.8, 4.8 and 3.6 respectively. While the percentage of unemployed with secondary and above education are 45.3, 50.2, 59.4 and 65.6 respectively for ST, SC, OBC and others categories of population.

Check your Progress 2

- 1) Explain one important self employment programmes initiated in India.

Answer: The SGSY is one of the important self employment programmes and was launched in 1999 as a centrally sponsored scheme funded by the Centre and the states in the ratio of 75:25. The SGSY was launched by converging IDRP, DWCRA and TRYSEM. The SGSY aims at helping the poor families to bring them above the poverty line, by providing them income generating assets through bank credits and government subsidy.

- 2) What is the main thrust of Mahatma Gandhi National Rural Employment Guarantee Scheme?

Answer: The National Rural Employment Guarantee Act (NREGS) (herein after referred as Mahatma Gandhi NREGS) was enacted in 2005 aims at to provide a minimum guaranteed wage employment of 100 days in every financial year to rural households with unemployed adult members prepared to do unskilled manual work. The scheme is a strategic attempt to fight the conundrums of poverty and unemployment, which are intrinsically interlinked. The NREGS indirectly aims at making employment as a human right.

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