

RURAL DEVELOPMENT

In Chapter 4, we studied how poverty was a major challenge facing India. We also came to know that the majority of the poor live in rural areas where they do not have access to the basic necessities of life.

Agriculture is the major source of livelihood in the rural sector. Mahatma Gandhi once said that the real progress of India did not mean simply the growth and expansion of industrial urban centres but mainly the development of the villages. This idea of village development being at the centre of the overall development of the nation is relevant even today. Why is this so? Why should we attach such significance to rural development when we see around us fast growing cities with large industries and modern information technology hubs? It is because more than two-third of India's population depends on agriculture that is not productive enough to provide for them; one-third of rural India still lives in abject poverty. That is the reason why we have to see a developed rural India if our nation has to realise real progress. What, then, does rural development imply?

6.2 WHAT IS RURAL DEVELOPMENT?

Rural development is a comprehensive term. It essentially focuses on action for the development of areas that are lagging behind in the overall development of the village economy. Some of the areas which are challenging and need fresh initiatives for development in India include

- Development of human resources including –literacy, more specifically, female literacy, education and skill development –health, addressing both sanitation and public health • Land reforms • Development of the productive resources of each locality
- Infrastructure development like electricity, irrigation, credit, marketing, transport facilities including construction of village roads and feeder roads to nearby highways, facilities for agriculture research and extension, and information dissemination
- Special measures for alleviation of poverty and bringing about significant improvement in the living conditions of the weaker sections of the population emphasising access to productive employment opportunities.

All this means that farming communities have to be provided with various means that help them increase the productivity of grains, cereals, vegetables and fruits. They also need to be given opportunities to diversify into various non-farm productive activities such as food processing. “Only the tillers of the soil live by the right. The rest form their train and eat only the bread of dependence”.
Thiruvalluvar

Giving them better and more affordable access to healthcare, sanitation facilities at workplaces and homes and education for all would also need to be given top priority for rapid rural development.

It was observed in an earlier chapter that although the share of agriculture sector’s contribution to GDP was on a decline, the population dependent on this sector did not show any significant change. Further, after the initiation of reforms, the growth rate of agriculture sector decelerated to 2.3 per cent per annum during the 1990s, which was lower than the earlier years. Scholars identify decline in public investment since 1991 as the major reason for this. They also argue that inadequate infrastructure, lack of alternate employment opportunities in the industry or service sector, increasing casualisation of employment etc. further impede rural development. The impact of this phenomenon can be seen from the growing distress witnessed among farmers across different parts of India. Against this background, we will critically look at some of the crucial aspects of rural India like credit and marketing systems, agricultural diversification and the role of organic farming in promoting sustainable development.

6.3 CREDIT AND MARKETING IN RURAL AREAS

Credit: Growth of rural economy depends primarily on infusion of capital, from time to time, to realise higher productivity in agriculture and non-agriculture sectors. As the time gestation between crop sowing and realisation of income after production is quite long, farmers borrow from various sources to meet their initial investment on seeds, fertilisers, implements and other family expenses of marriage, death, religious ceremonies etc.

At the time of independence, moneylenders and traders exploited small and marginal farmers and landless labourers by lending to them on high interest rates and by manipulating the accounts to keep them in a debt-trap. A major change occurred after 1969 when India adopted social banking and multi-agency approach to adequately meet the needs of rural credit. Later, the National Bank for Agriculture and Rural Development (NBARD) was set up in 1982 as an apex body to coordinate the activities of all

institutions involved in the rural financing system. The Green Revolution was a harbinger of major changes in the credit system as it led to the diversification of the portfolio of rural credit towards production-oriented lending.

The institutional structure of rural banking today consists of a set of multi-agency institutions, namely, commercial banks, regional rural banks (RRBs), cooperatives and land development banks. The major aim of designing this multi-agency system is to dispense adequate credit at cheaper rates. Recently, Self-Help Groups (henceforth SHGs) have emerged to fill the gap in the formal credit system because the formal credit delivery mechanism has not only proven inadequate but has also not been fully integrated into the overall rural social and community development. Since some kind of collateral is required, vast proportion of poor rural households were automatically out of the credit network. The SHGs promote thrift in small proportions by a minimum contribution from each member. From the pooled money, credit is given to the needy members to be repayable in small instalments at reasonable interest rates. By March end 2003, more than seven lakh SHGs had reportedly been credit linked. Such credit provisions are generally referred to as micro-credit programmes. SHGs have helped in the empowerment of women but the borrowings are mainly confined to consumption purposes and negligible proportion is borrowed for agricultural purposes.

Rural Banking — a Critical Appraisal: Rapid expansion of the banking system had a positive effect on rural farm and non-farm output, income and employment, especially after the green revolution — it helped farmers to avail services and credit facilities and a variety of loans for meeting their production needs. Famines became events of the past; we have now achieved food security which is reflected in the abundant buffer stocks of grains. However, all is not well with our banking system. This is largely because of the chronic underperformance of formal credit institutions and high incidence of overdue instalments by the farmers.

With the possible exception of the commercial banks, other formal institutions have failed to develop a culture of deposit mobilisation — lending to worthwhile borrowers and effective loan recovery. Agriculture loan default rates have been chronically high and many studies reveal that about 50 per cent of the defaulters were categorised as 'wilful defaulters' which is a threat to the smooth functioning of the banking system and needs to be controlled.

Thus, the expansion and promotion of the rural banking sector has taken a backseat after reforms. To improve the situation, banks need to change their approach from just being lenders to building up relationship banking with the borrowers. Inculcating the habit of thrift and efficient utilisation of financial resources needs to be enhanced among the farmers too.