

RURAL DEVELOPMENT

MEANING OF RURAL DEVELOPMENT

Rural Development refers to continuous and comprehensive socio-economic process, attempting improve all aspects of rural life.

- In India, agriculture is the major source of livelihood in the rural sector, with more than two-third of India's population depending on it. So, development in agriculture will contribute to the betterment of rural areas and rural people.
- However, the term rural development includes not only agricultural development, but it involves all those aspects, which improves quality of life of people. It aims at improving the economic and social conditions of people living in villages.

PROCESS OF RURAL DEVELOPMENT

Rural development aims at comprehensive change and improvement of rural life in all aspects. Some of the areas, which are challenging and need fresh initiatives for development in India include:

1. Development of Human Resources: The quality of the human resource needs to be improved through following measures:

- Proper attention to literacy (specifically on female literacy), education and skill development; and
- Better Health facilities for the physical growth.

2. Development of Infrastructure: It involves:

- Improvement in electricity, irrigation, credit, marketing and transport facilities (including construction of village roads and feeder roads to nearby highways
- Better facilities for agriculture research and extension and information dissemination

3. Land Reforms: It includes the following objectives:

- Elimination of exploitation in land relations;
- Actualisation of the goal of 'land to the tiller'
- Improvement of socio-economic conditions of rural poor by widening their land base; Increasing agricultural productivity and production.

- Alleviation of Poverty: As stated earlier, around 30% of total population is still below the poverty line. So, there is a serious need for taking serious steps for alleviation of poverty and bringing significant improvement in living conditions of weaker sections,
- Development of the production resources of each locality to enhance opportunities of employment (particularly other than farming).



RURAL CREDIT

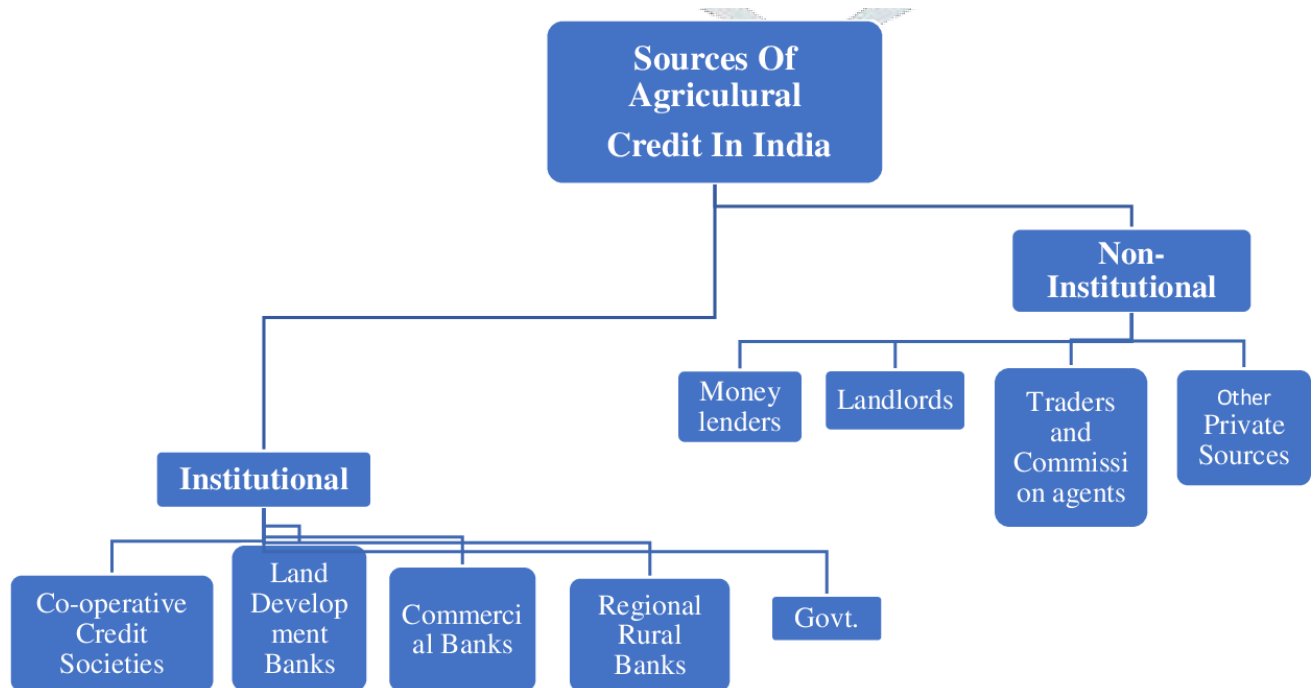
Growth of rural economy depends on timely infusion of capital, to realise higher productivity in agriculture and non-agriculture sectors. In agriculture, farmers are in strong need for credit due to long time gap between crop sowing and realisation of income.

SOURCES OF RURAL CREDIT

With growing modernisation of agriculture during post-green revolution period, the requirement of agricultural credit has also increased in the recent years.

Broadly, there are two sources, from which the farmers can raise loans:

- (i) Non-Institutional Sources (ii) Institutional Sources



Non-Institutional Sources

Non-institutional sources have been the traditional source of agricultural credit in India. The major non-institutional sources are:

- **Moneylenders:** From the very beginning, moneylenders have been advancing a major share of farm credit. The peasants are exploited through exorbitant (very high) rates of interest. Quite frequently, their accounts are manipulated without their knowledge.
- **Relatives:** Cultivators borrow funds from their own relatives in times of crisis. These loans are a kind of informal loans and carry no interest and are normally returned after harvest.

- Traders and commission agents: (They provide credit to the peasants on the mortgage of crops at high rates of interest, on a condition, that the crops will be sold to them at low prices.
- Rich Landlords: Small as well as marginal farmers and tenants, take loans from landlords, for meeting their financial requirements. Landlords also charge high rates of interest on such loans and exploit the peasants, particularly small farmers and tenants ..

Institutional Sources

The various non-institutional sources used to exploit small and marginal farmers 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 the institutional credit approach through various agencies.

Government established the institutional sources with the following objectives:

- To provide adequate credit to farmers at a cheaper interest rate
- To assist small and marginal farmers in raising their agricultural productivity and maximising their income.

Some of the important institutional sources of agricultural credit are:

1. **Co-operative Credit:** The primary objective of the co-operatives is to liberate the Indian peasantry from the clutches of moneylenders and to provide them credit at low rates of interest.
2. **Land Development Banks:** They provide credit to the farmers against the mortgage of their lands. Loans are provided for permanent improvement of land, purchasing agricultural implements and for repaying old debts.
3. **Commercial Bank Credit:** Initially, commercial banks played a marginal role in advancing rural credit. However, after nationalisation in 1969, they expanded their branches in rural areas and started directly financing the farmers.
4. **Regional Rural Banks:** They are opened up in those areas where there are no banking facilities. Their main objective is to provide credit and other facilities, especially to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas.

5. **The Government:** the loans provided by the government are known as taccavi loans and are lent during emergency or distress, like famines, floods, etc. the rate of interest charged against such loan is as low as 6%.
6. **National Bank for Agricultural and Rural Development (NABARD):** It is the Apex Bank which coordinates the functioning of different financial institutions, working for expansion of rural credit.
 - Its objective is to promote health and strength of credit institutions (namely, cooperatives, commercial banks and regional rural banks).
 - Besides providing finance to credit institutions, NABARD also provides financial assistance to the non-farm sector, to promote integrated rural development and prosperity of backward rural areas.
7. **Self-Help Group (SHG) Bank Linkages Programme for Micro Finance:** SHG has emerged as the major micro finance programme in the country in recent years.
 - Their focus is largely on those rural poor, who have no sustainable access to the formal banking system.
 - So, their target groups comprise of small and marginal farmers, agricultural and nonagricultural labourers, artisans, etc.
 - SHGs promote thrift in small proportions by a minimum contribution from each member.
 - From the pooled money, credit is given to the needy members at reasonable interest rates, which is to be repaid in small installments.

CRITICAL APPRAISAL OF RURAL BANKING

Rural expansion of the banking system had a positive effect credit on facilities rural farm helped and farmers non-farm output, income and employment. After the green revolution, credit facilities helped farmers to avail variety of loans for meeting their production needs. With buffer stocks of grains, famines became events of the past.

Even then, there are number of Problems faced by the agricultural credit structure of the country Some of the problems faced in rural banking are:

1. **Insufficiency:** The volume of rural credit in the PROBLEMS FACED IN RURAL BANKING country is still insufficient in comparison to its demand.
2. **Inadequate Coverage of Institutional Sources:** The institutional credit arrangement continues - Inadequate Amount of Sanction to be inadequate as they have failed to cover Less Attention to Poor or Marginal Farmers the entire rural farmers of the country.
3. **Inadequate Amount of Sanction:** The amount of loan sanctioned to the farmers is also inadequate. As a result, farmers often divert such loans for unproductive purposes, which dilute the very purpose of such loan.
4. **Less attention to poor or marginal farmers:** Lesser attention has been given on the credit requirements of needy (small and marginal) farmers. On the other hand, well-to-do farmers are getting more attention due to better credit worthiness.
5. **Growing Overdues:** The problem of overdues in agricultural credit continues to be an area of concern.
 - The basic reason for growing overdues is the poor repaying capacity of farmers. As a result, credit agencies are becoming cautious of granting loan to farmers.
 - Agriculture loan default rates have been chronically high. It is alleged that farmers are deliberately refusing to pay back loans. It is a threat to the smooth functioning of banking system and needs to be controlled.

Thus, the expansion and promotion of the rural banking sector has taken a backseat after reforms. Except the commercial banks, other formal institutions failed to develop a culture of deposit mobilization, lending to needy borrowers and effective loan recovery.

To improve the situation:

- i. Banks need to change their approach from just being lenders to building up relationship banking with the borrowers; and
- ii. Farmers should also be encouraged to inculcate the habit of thrift (saving) and efficient utilization of financial resources.

AGRICULTURAL MARKET SYSTEM

Rural people not only face problems with regard to finance, but also encounter difficulties in marketing their goods. Thus, issue of 'Agricultural Marketing' needs urgent attention in the scheme of securing rapid rural development.

Meaning of Agricultural Marketing

Agricultural marketing is a process that involves assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country. Agricultural marketing system is an efficient way by which the farmers can dispose their surplus produce at a fair and reasonable price. It involves different activities for movement of farm produce from the producer to the ultimate consumer.

Problems Faced by Farmers

- **Manipulations by Big Traders:** Prior to independence, farmers suffered from faulty weighing and manipulation of accounts while selling their produce to traders.
- **Lack of Market Information:** Farmers were often forced to sell at low prices due to lack of required information on prices prevailing in markets
- **Lack of Storage Facilities:** They also did not have proper storage facilities to keep back their produce for selling later at a better price. Even today, more than 10% of goods produced in farms are wasted due to lack of storage.

Therefore, government intervention became necessary to regulate the activities of the private traders.

Measures to Improve Agricultural Marketing

After Independence, the Government of India adopted the following measures to improve the system of agricultural marketing:

1. **Regulated Markets:** The first measure was regulation of markets, to create orderly and transparent marketing conditions. Regulated markets have been organised with a view to protect the farmers from the malpractices of sellers and brokers. This policy benefited farmers as well as consumers. "

2. **Infrastructural Facilities:** The Government aims to provide physical infrastructure facilities like roads, railways, warehouses, godowns, cold storages and processing units. The current infrastructure facilities are quite inadequate to meet the growing demand and need to be improved.
3. **Cooperative Marketing:** The aim of cooperative marketing is to realise fair price for farmers' products. Under this, marketing societies are formed by farmers to sell the output collectively and to take advantage of collective bargaining, in order to obtain better price. Milk Cooperatives in Gujarat have been very successful in transforming the social and economic condition of Gujarat and some other parts of the country.
4. **Different Policy Instruments:** In order to protect the farmers, the government has initiated the following policies:
 - **Minimum Support Prices (MSP):** To safeguard the interest of farmers, government fixes the minimum support prices of agricultural products, like wheat, rice, maize, cotton, sugarcane, pulses, etc. Such a price may be regarded as an offer price, at which the Government is willing to buy any amount of grains from the farmers.
 - **Maintenance of Buffer Stocks:** The Food Corporation of India (FCI) purchases wheat and rice at the procurement prices, to maintain buffer stock. Buffer stock is created in the years of surplus production and is used during shortages. It helps to ensure regularity in supply and stability in prices
 - **Public Distribution System (PDS):** The public distribution system in our country operates through a network of ration shops and fair price shops. Fair price shops offer essential commodities like wheat, rice, kerosene, etc. at a price below the market price, to the weaker sections of the society,

Emerging Alternate Marketing Channels

1. **Origin of Farmers Market:** Farmers can increase their incomes, if they directly sell their produce to consumers. As a result, the concept of "Farmers Market" was started, to give boost to the small farmers by providing them

provide direct access to the consumers and eliminating the middlemen. Some examples of these channels are:

- Apni Mandi in Punjab, Haryana and Rajasthan;
- Hadaspar Mandi in Pune;
- Rythu Bazars in Andhra Pradesh; and
- UzhavarSandies(farmers market in Tamil Nadu).

2. **Alliance with National and Multinational Companies:** fast food chains are increasingly entering into contracts/ alliances with farmers.

- They encourage the farmers to cultivate farm products (vegetables, fruits, etc.) of the desired quality.
- They provide them pre-decided with not only prices.seeds and other inputs, but also assure procurement of the produce at pre-decided prices.

DIVERSIFICATION OF AGRICULTURAL ACTIVITIES

Reason for Diversification

Agriculture plays a very important role in the economic development. However, the vast majority of rural people work on land and there is greater risk in depending only on agriculture. The need for diversification arises because:

- There is greater risk in depending exclusively on farming for livelihood; and
- To provide productive sustainable livelihood options to rural people.

Benefits of Diversification

Much of the agricultural employment activities are concentrated in the Kharif season. During the Rabi season, it becomes difficult to find gainful employment in the areas where there are inadequate irrigation facilities. So, diversification into other sectors is essential:

- To provide supplementary gainful employment;
- To enable them to earn higher levels of income; and
- To enable rural people to overcome poverty and other troubles.

TYPES OF DIVERSIFICATION

Diversification of Crop Production

It involves a shift from single-cropping system to multi-cropping system.

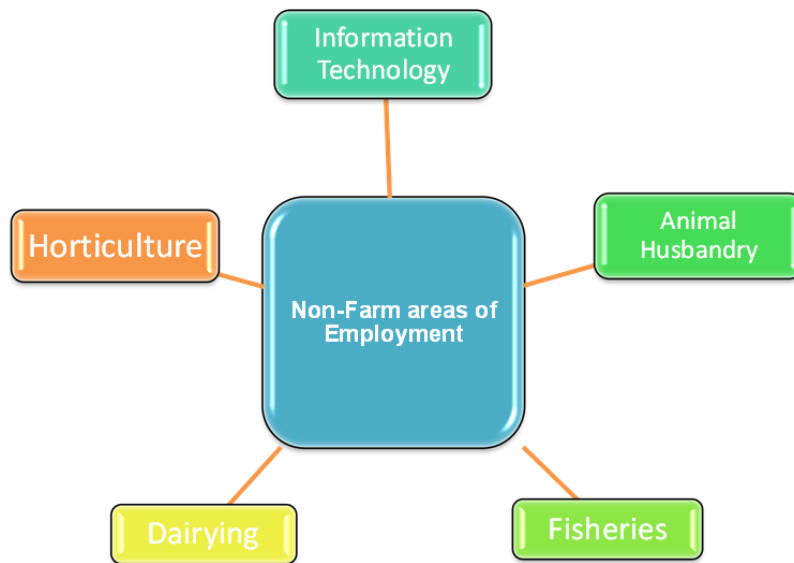
- Diversification involves a shift in cropping pattern from food grains to cash crops. Basically, the main aim is to promote shift from subsistence farming to commercial farming.
- In India, agriculture is still dominated by subsistence farming and farmers give prime importance to the cereals in the cropping system.
- Multi-cropping system reduces the dependence of farmers on one or two crops as they are engaged in growing a wide variety of crops.
- There is a need to encourage farmers to take up cultivation of a wide variety of crops. It will also raise their income.

Diversification of Productive Activities

As agriculture is already overcrowded, a major proportion of the increasing labour force needs to find alternate employment opportunities in other non-farm sectors.

- It would provide alternative avenues of sustainable livelihood and would raise the level of income.
- Non-farm Activities has several segments. Some segments of non-farm activities possess dynamic linkages that permit healthy growth, while others are in subsistence, low productivity propositions.
- The dynamic sub-sectors include agro-processing industries, food processing industries, leather industry, tourism, etc.
- Those sectors which have the potential but seriously lack infrastructure and other support, include traditional household-based industries, like pottery, crafts, handlooms, etc.

NON-FARM AREAS OF EMPLOYMENT



Animal Husbandry and Dairying

Animal Husbandry

Animal Husbandry (or Livestock farming) is that branch of agriculture, which is concerned with the breeding, rearing and caring for farm animals.

- Under livestock farming, cattles, goats and fowls (duck, goose, etc.) are the widely held species.
- India owns one of the largest livestock populations in the world.

Dairying

Dairying is that branch of agriculture which involves breeding, raising and utilisation of dairy animals for the production of milk and the various dairy products processed from it

- Due to the successful implementation of 'Operation Flood', India ranks first in the world in milk production. India's milk production increased from 17 million tonnes in 1950-51 to 102.6 million tonnes in 2006-07 and increased to 165.4 million tonnes in 2016-17.
- Operation Flood (or White Revolution) was started by National Dairy Development Board (NDDB) in 1970 under the expert guidance of then chairman, Dr. Verghese Kurien. The objective of this programme was to create a nationwide milk grid.

- Under the Operation Flood system, all the farmers pool their milk produce according to different grades and same is processed and marketed to urban centres through cooperatives. The farmers are assured of a fair price and income.

Fisheries

Fisheries refer to the occupation devoted to the catching, processing or selling of fish and other aquatic animals.

Important Points About Fishing

- **Fishing community regards water body as 'mother'**: The water bodies (sea, oceans, rivers, lakes, natural aquatic ponds, streams) are considered as 'mother' or 'provider' as they provide life-giving source to the fishing community.
- **Volume of Fish Production**: Presently, fish production from inland sources contributes about 64% to the total fish production and the balance 36% comes from the marine sector (sea and oceans)
- **Share of Fishing in GDP**: The total fish production accounts for 0.8% of the total GDP. In India, West Bengal, Andhra Pradesh, Kerala, Gujarat, Maharashtra and Tamil Nadu are major fish producing states.
- **Women Participation in Fishing**: Even though women are not involved in active fishing, still, 60% of the workforce in export marketing and 40% in internal marketing are women. There is a need to increase credit facilities in the form of cooperatives and self-house groups (SHG) for fisherwomen to meet their working capital requirements for marketing.
- **Problems faced in Fishing**: A large share of fish worker families are poor. Some of the major problems faced by these communities include:
 - (i) Widespread Underemployment;
 - (ii) Low per capita earnings;
 - (iii) Absence of mobility of labour to other sectors;
 - (iv) High Illiteracy rate and indebtedness. ?

Horticulture

Horticulture refers to the science or art of cultivating fruits, vegetables, tuber crops, flowers, medicinal and aromatic plants, spices and plantation crops. These crops play a vital role in providing food and nutrition, besides addressing employment concerns.

- India has adopted horticulture as it is blessed with a varying climate and soil conditions.
- It is an important sector for potential diversification and value addition in agriculture.

Important Point About Horticulture

1. **Contribution:** Horticulture sector contributes one-third of the value of agriculture nearly output and 6% of Production of India:
2. **Share in World's Production:** India has emerged as a world leader in producing a variety of fruits, like mangoes, bananas, coconuts, cashew nuts and a number of spices. With production of 74.877 million tonnes of fruits and 146.554 million tonnes of vegetables in 2010-11, India is the second largest producer of both fruits and vegetables in the world.
3. **Improvement in Economic Condition:** Horticulture has improved economic condition of many farmers and has become a means of improving livelihood for many unprivileged classes too.
4. **Great Scope for Women Employment:** Flower harvesting, nursery maintenance, hybrid seed production and tissue culture, propagation of fruits and flowers and food processing are highly remunerative employment options for women in rural areas.

Information Technology

Information Technology (IT) refers to that branch of engineering that deals with the use of computers and telecommunications to retrieve and store and transmit information.

Information Technology has revolutionized many sectors in the Indian economy. There is broad agreement that it will play a critical role in achieving sustainable development and food security in the 21st century.

Important points about Information Technology

- Through appropriate information and software tools, government has been able to predict areas of food insecurity and vulnerability, to prevent or reduce the likelihood of an emergency.
- It also has a positive impact on the agriculture sector as it circulates information regarding emerging technologies and its applications, prices, weather and soil conditions for growing different crops, etc.
- It acts as a tool for releasing the creative potential and knowledge embedded in the society. It also has potential of employment generation in rural areas.

The aim for increasing the role of Information Technology is to make every village a knowledge center, where it provides a sustainable option of employment and livelihood.

SUSTAINABLE DEVELOPMENT AND ORGANIC FARMING

In recent years, there is a considerable rise in awareness of the harmful effects of chemical- based fertilisers and pesticides. Conventional agriculture relies heavily on chemical fertilisers and toxic pesticides etc., which enter the food supply, penetrate the water sources, harm the livestock, deplete the soil and devastate natural eco-systems.

So, efforts have been made to evolve technologies, which are eco-friendly and are essential for sustainable development. One such eco-friendly technology is 'Organic Farming'.

Meaning of Organic Farming

Organic farming is the form of agriculture that relies on techniques such as crop rotation, green manure, compost and biological pest control. This method avoids the use of synthetic chemical fertilizers and genetically modified organisms.

- Organic farming is the process of producing safe and healthy food, without leaving a adverse impact on the environment.
- "In short, organic agriculture is a whole system of farming that restores, maintains enhances the ecological balance.
- There is an increasing demand for organically grown food, to enhance food sa throughout the world.

Benefits of Organic Farming

Organic Farming is beneficial because of following reasons:

1. **Economical Farming:** Organic Farming offers a means to substitute costlier agricultural inputs (such as HYV seeds, chemical fertilisers, pesticides, etc.) with locally produced cheaper organic inputs.
2. **Generates income through exports:** It generates income through international exports as demand for organically grown crops is on a rise.
3. **Provides Healthy Food:** It provides healthy food as organically grown food has more nutritional value than food grown through chemical farming.
4. **Source of Employment:** Organic farming generates more employment opportunities as it requires more labour input than conventional farming.
5. **Safety of environment:** The produce of organic farming is pesticide-free and is produced in an environmentally sustainable way.

Challenges before Organic Farming

Organic Farming suffers from following drawbacks:

1. **Less Popular:** Organic farming needs to be popularized by creating awareness and willingness on the part of farmers, for adoption of new technology. There is a serious need for an appropriate agriculture policy to promote organic farming.
2. **Lack of infrastructure and marketing facilities:** Organic farming faces problems of inadequate and marketing facilities.
3. **Low Yield:** Organic farming has a lesser yield in the initial years as compared to modern agricultural farming. As a result, small and marginal farmers find difficult to adapt to large-scale production.

4. **Shorter food life:** Organic produce has a shorter shelf life as compared to sprayed produce.
5. **Limited choice of crops:** The choice in production of off-season crops is quite limited in organic farming.

Inspite of all these limitations, organic farming helps in sustainable development of agriculture and India has a clear advantage in producing organic products, for both domestic and international markets.

EVALUATION OF RURAL DEVELOPMENT

The rural sector will continue to remain backward until and unless some spectacular changes occur. Some of the changes which need to be taken for development of rural sector are outlined below:

1. **Stress on Diversification:** There is a need to make rural areas more vibrant through diversification into dairying, poultry, fisheries, vegetables and fruits.
2. **Rural and Urban Linkage:** Efforts should be made to link up the rural production centres with the urban and foreign (export) markets to realise higher returns on the investment for the products.
3. **Better facilities:** Proper efforts should be made to develop:
 - Infrastructure elements like credit and marketing;
 - State agricultural departments;
 - Farmer-friendly agricultural policies;
 - Constant appraisal and dialogue between farmers groups.

The aim is to achieve full potential of the rural sector.

4. **More emphasis on Sustainable Development:** There is need to invent or procure alternate sets of eco-friendly technologies that lead to sustainable development in different circumstances.

CHAPTER – 5
RURAL DEVELOPMENT

MULTIPLE CHOICE QUESTIONS

1. Government established the institutional sources of finance:
 - (a) To provide adequate credit to farmers at cheapest interest rate
 - (b) To assist small farmers in raising agricultural productivity and maximizing their income
 - (c) Both a and b
 - (d) Neither a nor b

2. The problems faced in a rural banking are:
 - (a) Insufficient rural credit
 - (b) Growing over dues
 - (c) Inadequate amount of sanction
 - (d) All of these

3. _____ is the Apex body which coordinates the functioning of different financial institutions, working for expansion of rural credit.
 - (a) NABARD
 - (b) Self-help groups
 - (c) Regional rural bank
 - (d) Commercial bank

4. The scheme of "microfinance" is extended through:
 - (a) Self-help groups
 - (b) Land Development Bank
 - (c) NABARD
 - (d) Regional Rural Banks

5. Name the state which is held as a success story in the efficient implementation of milk cooperative.
 - (a) Maharashtra
 - (b) Jammu and Kashmir
 - (c) Gujarat
 - (d) Andhra Pradesh

6. Which one of the following is not a non-institutional source of credit:
 - (a) Money lenders
 - (b) Relatives

- (c). Traders and commission agents
 - (d) Land Development Bank
7. Organic Farming is beneficial because:
- (a) It generates income through International exports
 - (b) It is produced in an environmentally sustainable way
 - (c) It provides healthy food
 - (d) All of these
8. Why is minimum support price fixed by the government?
- (a) For government own benefit
 - (b) To safeguard the interest of farmers
 - (c) To safeguard the interest of consumers
 - (d) None of these
9. Credit taken for a period of 15 years is
- | | |
|-----------------------|------------------------|
| (a) Short term credit | (b) Medium term credit |
| (c) Long term credit | (d) All of these |
10. NABARD is a source of rural credit.
- | | |
|-------------------------|-----------------------|
| (a) Institutional | (b) Non institutional |
| (c) Cooperative society | (d) Regional |
11. Organic farming uses:-
- | | |
|------------------------|---------------------|
| (a) Organic manure | (b) Bio fertilizers |
| (c) Organic pesticides | (d) All of these |
12. Diversification in agricultural activities means finding alternate employment in:
- | | |
|---------------------|-------------------|
| (a) Non-farm sector | (b) Urban sectors |
| (c) Rural sectors | (d) None of these |

13. Nationalization of commercial banks took place in:
(a) 1959 (b) 1965
(c) 1962 (d) 1969
14. Traditional sources of rural credit in India are-
(a) Money lenders (b) Relatives and friends
(c) Traders (d) All of these
15. The period between, _____ known as Golden Revolution period
(a) 1991 to 2001 (b) 1991 to 2003
(c) 1990 to 2003 (d) None of these
16. India adopted social banking and multi-agency approach towards rural credit after _____
(a) 1965 (b) 1969
(c) 1970 (d) 1979

Answer.

- | | | | | | |
|---------|---------|---------|----------|----------|---------|
| 1. (c), | 2. (d), | 3. (a), | 4. (a), | 5. (c), | 6. (d), |
| 7. (d), | 8. (b), | 9. (c), | 10. (a), | 11. (d), | 12. (a) |
| 13. (d) | 14. (d) | 15. (b) | 16. (b) | | |

NCERT QUESTIONS AND ANSWERS

- 1. What do you mean by rural development? bring out the key issues in rural development.**

Answer. Rural development refers to continuous and comprehensive socio-economic process attempting to improve all aspects of rural life.

Some of the key issues in rural development include:

- (i) **Development of Human Resources:** The quality of the human resources needs to be improved by giving proper attention to literacy and better health facilities.

- (ii) **Development of infrastructure:** It involved improvement in electricity, irrigation, credit, marketing and transport facilities.
- (iii) **Land Reforms:** It includes (a) Elimination of exploitation in land lords (b) Actualization of the goal of land to the tiller (c) Improvement of social economic condition of rural poor by widening their land base (d) Increasing agricultural productivity and production.
- (iv) **Alleviation of poverty:** It includes, taking serious steps for alleviation of poverty and bringing significant improvement in living condition of weaker section.
- (v) Development of the productive resources of each locality to enhance opportunities of employment (particularly other than farming.)

2. Discuss the importance of credit in rural development.

Answer. In agriculture, due to long time gap between crop sowing and realisation of income farmers are in strong need for credit. Farmers need money to meet initial investment on seeds fertilizers implements and other family expenses of marriage, death, religious ceremony etc. So, credit is one of the important factors, which contribute to agricultural production. An efficient and effective rural credit delivery system is crucial for raising agricultural productivity and incomes.

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

Answer. Micro credit or self-help groups (SHG) has emerged as the major micro finance programmes in the country in recent years.

- (i) Their focus is largely on the rural poor, who no sustainable access to the formal banking system, so their target groups comprise of small and marginal farmers, agricultural and non-agricultural labourers, artisans etc.
- (ii) SHGs promote thrift in small proportions by a minimum contribution from each member.
- (iii) From the pooled money, credit is given to the needy member at reasonable interest rates, is to be repaid in small instalments.

- (iv) By March 2003, more than 7 lakh SHGs had reportedly been credit linked. Such credit provisions are generally referred to as microcredit programs. SHGs also helped in the empowerment of women.

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

The steps taken by the government in developing rural markets include the following measures;

- I. **Regulated Markets:** Regulated markets have been organised with a view to protect the farmers from the malpractices of sellers and brokers. This policy benefited farmers as well as consumer.
- II. **Infrastructural facilities:** The government aims to provide physical infrastructure facilities like roads, railways, warehouses, godown, cold storage and processing units.
- III. **Cooperative marketing:** The aim of Cooperative marketing is to realise fair price for farmers' products. Under this marketing societies are formed by farmers to sell the output collectively and to take advantage of collective bargaining in order to obtain better price.
- IV. **Different policy instruments:** In order to protect the farmers the government has initiated the following policies:
 - (i) **Minimum support price (MSP):** To safeguard the interest of farmers government fixes the minimum support prices, which is regarded as an offer price, at which the government is willing to buy any amount of grains from the farmers.
 - (ii) **Maintenance of Buffer Stock:** The Food Corporation of India (FDI) purchases wheat and rice at the procurement prices, to maintain the buffer stock and ensures regularity in supply and stability in prices.
 - (iii) **Public Distribution System (PDS):** PDS Operates through a network of ration shops and fair price shops in which essential commodities like wheat, rice, kerosene etc. are offered at a price below the market price, to the weaker section of the society.

5. Why is agricultural diversification essential for sustainable development?

Answer. Agricultural diversification is essential for sustainable livelihood because:

- (i) There is a greater risk in depending exclusively on farming for livelihood.
- (ii) To provide supplementary gainful employment to rural people and to enable them to overcome poverty by earning higher levels of income.

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

Answer. Rapid expansion of the banking system had a positive effect on rural farm and non-farm output, income and employment. After the Green Revolution, credit facilities helped farmers to avail variety of loans for meeting their production needs. With buffer stocks of grains, famines became event of the past,

Even then, the following problems are being faced in the rural banking:

- (i) **Insufficiency:** The volume of rural credit in the country is still insufficient in comparison to its demand.
- (ii) **Inadequate coverage of institutional sources:** The institutional credit arrangement continues to be inadequate as they have failed to cover the entire rural farmers of the country.
- (iii) **Inadequate amount of sanction:** Amount of loan sanction to the farmers is also inadequate.
- (iv) **Attention to poor or marginal farmers:** lesser attention has been given to the credit requirements of needy farmers.
- (v) **Growing over dues:** The problem of over dues in agriculture credit continues to be an area of concern. Agriculture loan default rates have been chronically high. It is alleged that farmers are deliberately refusing to pay back loans, which is a threat to the smooth functioning of banking system and needs to be controlled.

Thus the expansion and promotion of the rural banking sector has taken a backseat after reforms. Except the commercial banks, other formal

Institutions failed to develop a culture of deposit mobilisation, lending to needy borrowers and effective loan recovery.

To improve the situation:

- Banks need to change this approach from just being lenders to building up relationship banking with the borrowers and
- Farmers should also be encouraged to inculcate the habit of thrift and efficient utilization of financial resources

7. What do you mean by agricultural marketing?

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

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

Answer. Some of the obstacles that hinder the mechanism of agricultural marketing are:

- (i) Agricultural markets are still dominated by the private trader, like money lenders, rural political leaders, big merchants and rich farmers.
- (ii) The quantity of agricultural products handled by the government agencies and consumer cooperative, constituted only 10%, while the rest is handled by the private sector.
- (iii) The facilities available for storing the grains and commercial crops are far from satisfactory.
- (iv) Lack of transportation: Due to absence of proper road transportation facilities, they have to sell their produce at the village market itself.
- (v) Lack of market information: Farmers were often forced to sell at low prices due to lack of information on prices prevailing in markets.

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

Answer. Some of the alternative channels available for agricultural marketing are:

- (1) **Farmers market:** The concept of farmers market has been started to give boost to the small farmers by providing them direct access to the consumers and eliminating the middlemen. Some example of these channels are (a) Apni mandi in Punjab, Haryana and Rajasthan. (b) Hadaspar mandi in Pune (c) Rythu Bazar in Andhra Pradesh and (d) Uzhavar sandies and farmers market in Tamilnadu.
- (2) **Alliance with National and multinational companies:** Several National and multinational fast food chains are increasingly entering into contracts/alliances with farmers.
- (i) They encourage the farmers to cultivate farm products (vegetables fruits etc.) of the desired quality
 - (ii) They provide them with not only seeds and other inputs, but also assure procurement of the produce at pre-decided prices
 - (iii) such arrangements help in reducing the prices of farmers and expand the market for farm products.

10. What type of infrastructure Does horticulture require for its development?

Answer. Horticulture require investment in infrastructure like electricity, cold storage system, marketing linkages, small scale processing units and technology improvement.

11. Explain four measures taken by the government to improve agricultural marketing.

Answer. Measures initiated by government to improve Agricultural Marketing System after Independence

1. Regulation of markets

- (i) This was the first step to create orderly and transparent in marketing conditions. By and large, this policy benefitted farmers as well as consumers.
- (ii) This measure targets organized markets in order to protect the farmers from exploitation by the brokers.
- (iii) The market committees ensure that the farmers get reasonable price for their produce.

- (iv) However there is still a need to develop about 27,000 rural periodic markets to realize the full potential of rural marketing.

2. Provision of physical infrastructure:

- (i) This measure attempts to make provision of physical infrastructural facilities like roads, Railways, warehouses, godowns, cold storages and processing units.
- (ii) These facilities will help in strengthening the market channels.
- (iii) However the current infrastructural facilities are quite inadequate. We need to develop more infrastructural facilities to ensure high growth rate of economy.

3. Cooperative Marketing:

- (i) Cooperative Marketing, in realising fair prices for Farmer's products, is the third aspect of government initiative.
- (ii) The success of milk cooperatives in transforming the social and economic landscape of Gujarat and some other parts of the country is testimony to the role of cooperatives.
- (iii) Under the system, farmers get together and form marketing societies to sell the produce collectively and take benefit of collective bargaining to secure a better price of their product.
- (iv) However due to lack of appropriate link between marketing and processing cooperatives and lack of finances, cooperatives have received a setback during the past.

4. Minimum Support Price:

- (i) It is an important step initiated by the government to give assurance of Minimum Support Prices (MSP) for agricultural products.
- (ii) Maintenance of buffer stocks of Wheat and rice by food corporation of India (FCL).
- (iii) The government fixes minimum support price to encourage the farmers to sell their produce.
- (iv) The government buys the excess supply of unsold stock from the farmers and maintains buffer stocks of these products and uses these during emergencies.

- (v) The Food Corporation of India (FCI) purchase food grains (wheat and rice) at the procurement prices in order to maintain rational prices for the farmers to give them sufficient incentives.
- (vi) Distribution of food grains and sugar through public distribution system (PDS).

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

Answer. The following are the importance of non-farm employment opportunities in promoting rural diversification.

1. There is a greater risk in depending exclusively on farming for livelihood. Non-farm employment provides productive sustainable livelihood option to rural people.
2. Most of the agricultural employment activities are concentrated in the kharif season. However, during the Rabi season, it becomes difficult to find gainful employment in the area where there are inadequate irrigation facilities. So diversification into non-farm areas proves to be crucial.
3. Non-farm activities have several segments. Some segments of non-farm activities possess dynamic linkages that permit healthy growth.
4. The output of non-farm sectors act as an input for the large scale industries. For example, agro processing industries, leather industries etc.

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

Answer. The importance of animal husbandry or livestock farming will be clear from the following points:

- (i) Animal husbandry provides alternate livelihood option to over 70 million small and marginal farmers, including landless labourers.
- (ii) It provides increased stability in income, food security, transport, fuel and nutrition for the family without disrupting other food producing activities.
- (iii) A significant number of women also find employment in the livestock sector.

Fisheries sector plays an important role in the socio-economic development of the country.

- (i) West Bengal, Andhra Pradesh, Kerala, Gujarat, Maharashtra and Tamilnadu are the major fish producing states.
- (ii) A significant number of women also find employment in the fishing. 60% of the workforce in export marketing and 40% in internal marketing are women.
- (iii) Fish production contributes 0.9% to India's GDP.

Horticulture is an important sector for potential diversification in the value addition in agriculture India has emerged as a world leader in producing a variety of fruits, vegetables and number of spices.

- (i) Horticulture has improved economic condition of many farmers and has become a means of improving livelihood for many unprivileged classes too.
- (ii) Flower harvesting nursery maintenance etc are highly remunerative employment option for women in rural areas.

14.Information technology plays a very significant role in achieving sustainable development and food security. Comment.

Answer. Information Technology has revolutionized many sectors in the Indian economy. It is widely accepted that it will play a critical role in achieving sustainable development and food security in the 21st century.

- Through appropriate information and software tools, government has been able to predict areas of food insecurity and vulnerability to prevent or reduce the likelihood of an emergency.
- It also circulates information regarding emerging technologies and its application, prices, weather and soil condition for growing different crops etc.
- IT sector is also generating employment opportunities in the backward areas for example info kiosk (i.e. PC with internet, scanner, etc.) have been started in the rural areas, to enable the kiosk owner earn a reasonable income by providing different services like email video conferencing etc.

- It aims to make every village a knowledge centre, where it provides a sustainable option of employment and livelihood.

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

Answer. Organic farming is the form of agriculture that relies on techniques such as crop rotation, green manure, compost and biological pest control.

Organic farming is the process of producing safe and healthy food, without leaving any adverse impact on the environment. This method avoids the use of synthetic chemical fertilizers and genetically modified organism. It means, organic farming promote sustainable development as it restores maintains and enhances the ecological balance. The producer of organic farming is pesticides free and is produced in an environmentally sustainable way.

16.Identify the benefits and limitation of organic farming.

Answer.

Benefits of Organic Farming

1. **Economical Farming:** Organic farming offers a means to substitute costlier agricultural inputs such as HYV seeds, fertilizers, pesticides etc with locally-produced organic inputs which are cheaper and generates profitable returns on investment.
2. **Generation of Income:** organic agriculture also generates income through exports as the demand for organically grown crops is on the rise. It is because now people are more aware of maintaining reasonable standards of their health.
3. **Provides Healthy Foods:** Studies have shown that organically grown food has more nutritional value than food grown by chemical farming. Thus, organic farming provides us with healthy foods. Present day trends show that demand for organic food is rising as it is more nutritious
4. **Environment friendly:** The producer of organic agriculture is pesticide-free and produced in an environmentally sustainable way. Organic farming discards the use of chemical fertilizers

5. **Generates Employment:** organic farming requires more labour input than required in traditional farming. Thus, organic farming will help in solving the problem of unemployment to some extent.
6. **Maintains Natural Ecosystem:** Conventional farming relies heavily on chemical fertilizers and pesticides and hence depletes the soil and disturb the natural ecosystems. On the other hand, organic farming restores, maintains and enhances ecological balance as it is eco-friendly.

Challenges before organic farming

1. **Needs popularisation:** Most of the farmers are not aware of organic farming. Popularizing organic farming requires awareness and willingness on the part of farmers to adapt to new technology.
2. **Inadequate infrastructure and marketing:** These are major concerns which need to be taken great care of as it is a new technology which needs basic facilities and services to start organic farming. Also marketing channels are to be strengthened to market the organic products
3. **Less output:** Yield from organic farming are less than traditional agricultural farming in the initial years. Therefore it may be difficult for the small and marginal farmers to opt for this technology on a large scale. Also there is limited choice of alternative production in of season.
4. **Shorter shelf life:** Compared to Conventional farm products, organic products have more blemishes and a shorter shelf life than sprayed produce. This may discourage some Farmers to adapt to this technology.
5. **Limited choice in production:** The choice in production of off season crops is quite limited in organic farming due to huge cost and time involved in preparing soil. In spite of the above limitations, organic farming helps in sustainable development of Agriculture and India has a clear advantage in going for organic farming at domestic and international level.

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

Answer. Some of the problems faced by farmers during the initial years of organic farming are;

- (i) In the initial years organic farming has a lesser yield as compared to modern agricultural farming as a result small and marginal farmers find difficult to adapt to large scale production.
- (ii) Organic farming faces problems of inadequate infrastructure and marketing facilities
- (iii) Organic produce has a shorter shelf life as compared to sprayed produce.
- (iv) choice in production of off season crops is quite limited in organic farming.