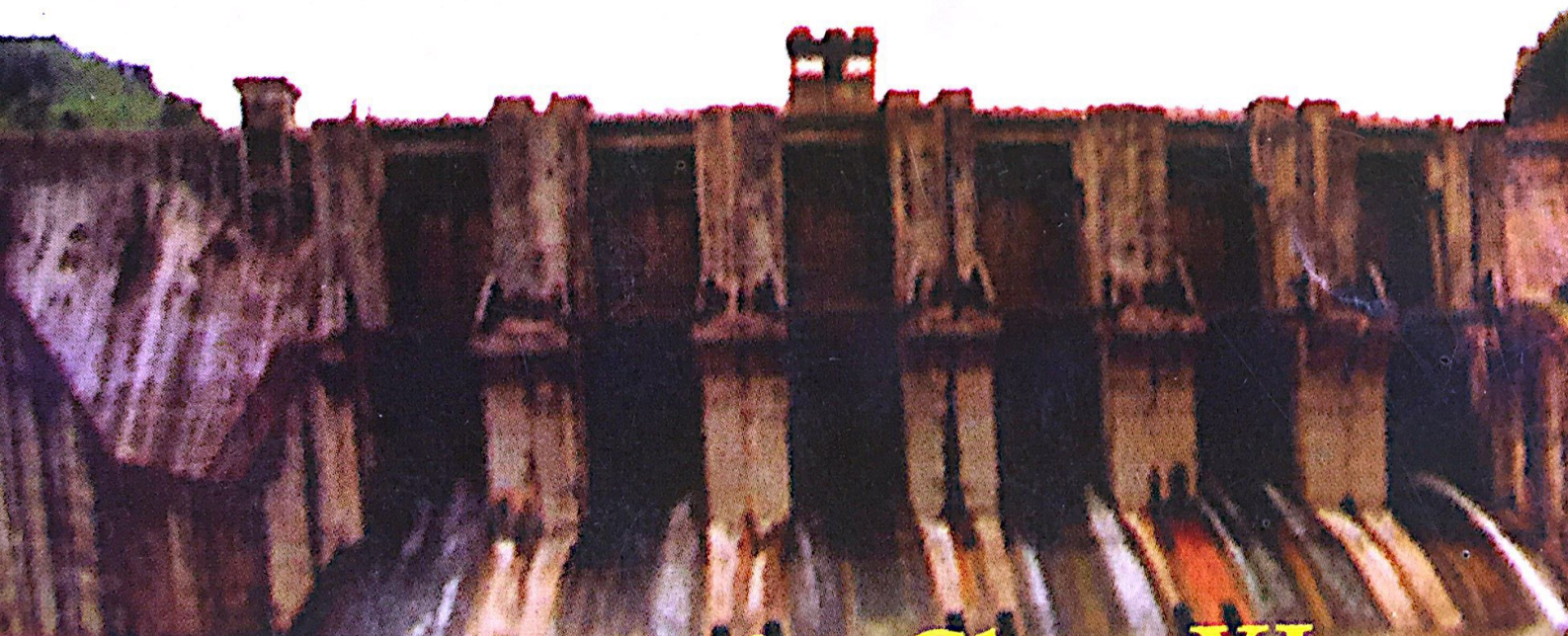




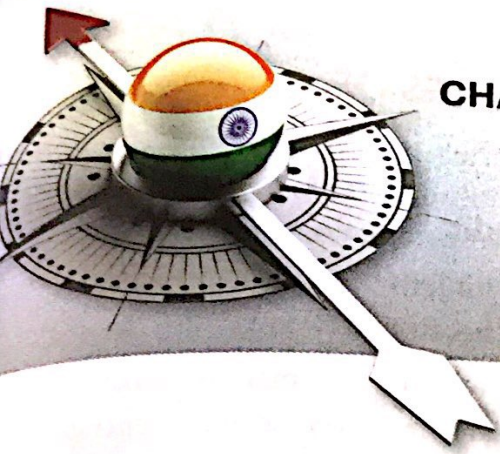
Indian Economic Development



RURAL DEVELOPMENT

After studying this chapter, the learners will

- understand rural development and the major issues associated with it
- appreciate how crucial the development of rural areas is for India's overall development
- understand the critical role of credit and marketing systems in rural development
- learn about the importance of diversification of productive activities to sustain livelihoods
- understand the significance of organic farming in sustainable development.



CHAPTER: 9

RURAL DEVELOPMENT

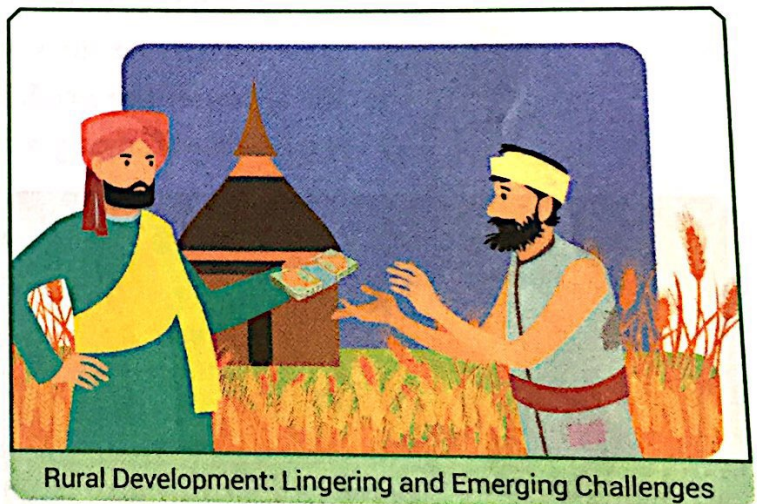
TO DO

- Challenges of Rural Development
- The Lingered Challenges of Rural Development
- The Emerging Challenges of Rural Development

I. CHALLENGES OF RURAL DEVELOPMENT

What does Rural Development Mean?

Rural development means an 'action-plan' for the social and economic growth of the rural areas. The action-plan is to focus on the lingering and emerging challenges in rural areas. The principal lingering challenges are: (i) challenge of rural credit, and (ii) challenge of rural marketing. Emerging challenges include basically: (i) exploring options of sustainable livelihood, other than farming, and (ii) the challenge of organic farming.



Rural Development: Lingered and Emerging Challenges

Lingered and Emerging Challenges

- ❑ There are certain lingering and emerging challenges in the context of rural development in India.
- ❑ Two principal lingering challenges are: (i) Rural credit, and (ii) Rural marketing. Two principal emerging challenges include: (i) Options of sustainable livelihood, other than farming, and (ii) Organic farming.
- ❑ It needs to be noted that these four challenges (two lingering and two emerging as notable above) are the core elements of the action-plan of rural development.
- ❑ The action-plan includes other elements as well. These are: (i) development of the means of transport, linking rural areas with the urban areas, (ii) provision of power/energy for the rural areas, (iii) permanent means of irrigation, and (iv) facilities for agricultural research.
- ❑ However, the present chapter focuses only on the four core elements (in accordance with the syllabus specification).

2. THE LINGERING CHALLENGES OF RURAL DEVELOPMENT

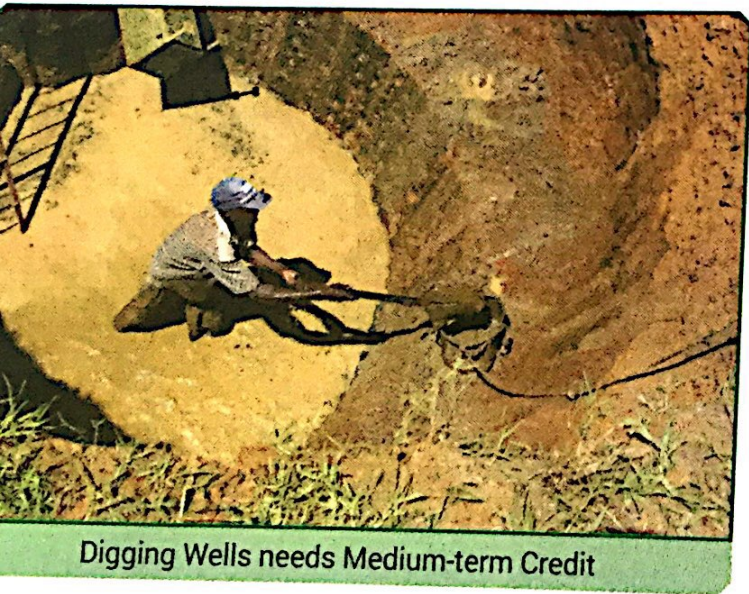
(A) The Challenge of Rural Credit

Rural or agricultural credit means credit for farming. Credit is the lifeline of farming activity in rural areas. This is because of two reasons:

- (1) Most farming families in India are small and marginal holders, producing just enough for subsistence. They seldom generate surplus for further investment. The need for credit, therefore, is unavoidable, and
- (2) The gestation lag between sowing and harvesting of the crops is quite long. This compounds the need for credit.

Credit needs of the typical Indian farmer are broadly classified into three categories as under:

(1) **Short-term Credit:** Short-term credit is basically required for the purchase of inputs like seeds, fertilisers, pesticides and insecticides, besides making payments of electricity bills. Small and marginal farmers hardly save enough to fulfill their short-term credit needs. Hence, the need for credit. These loans are raised generally for a period ranging between 6 to 12 months.



Digging Wells needs Medium-term Credit

(2) **Medium-term Credit:** Medium-term credit is required for (a) the purchase of machinery, (b) construction of fences, and (c) digging the wells. Such loans are raised generally for a period ranging between 12 months to 5 years.

(3) **Long-term Credit:** Long-term credit is required for (a) the purchase of additional land or (b) for carrying out permanent improvements on the existing land. The period of such loans ranges between 5 to 20 years.

The credit requirement of the farmers may also be classified as productive and unproductive. The productive requirement of credit relates to production activity. The unproductive requirement of credit relates to consumption activity.

Sources of Rural Credit

Sources of rural or agricultural credit are broadly classified as: (i) Institutional, and (ii) Non-institutional. Of the two, non-institutional sources are the conventional/traditional sources, while the institutional sources are modern/emerging sources. The details are as under:

Non-institutional Sources

(i) Landlords, (ii) village traders, and (iii) moneylenders are the three important sources of non-institutional rural credit in India.

Traditionally, most credit needs of the farmers were met through these sources.

Non-institutional sources accounted for 93 per cent of the total borrowing of the farmers in the beginning of First Five Year Plan.

But by 1981, the institutional sources emerged as the principal channel of rural credit.

Institutional Sources

The institutional sources include: (i) government, (ii) cooperatives, (iii) commercial banks, and (iv) the regional rural banks.

Together, they accounted for only 7 per cent of the credit needs of the farmers in the beginning of First Five Year Plan, but presently their share has increased to over 66 per cent.

Out of total institutional credit, cooperative credit contributes nearly 15 per cent and commercial banks about 75 per cent.

Apart from substantial expansion in the flow of credit by commercial banks and Regional Rural Banks (RRBs), the cooperative credit institutions have emerged as important institutional agencies offering credit support and related services.

Following is a brief description of some important institutional agencies offering rural credit in India:

(1) Cooperative Credit Societies: The cooperative credit societies provide adequate credit to the farmers at reasonable rate of interest. These societies also provide guidance in diverse agricultural operations with a view to raising crop productivity.

Currently, cooperatives account for 16-17 per cent of rural credit flow.

These societies are to ensure:

(i) timely and rapid flow of credit to the farmers.

Important

- At the time of independence, institutional credit showed only a notional existence.
- Non-institutional credit ruled the roost. It was dominated by moneylenders, traders and commission-agents who charged exorbitantly high interest rates, and manipulated the accounts to exploit the illiterate farmers.
- In fact, non-institutional credit often led to a debt trap for the farmers.
- A significant change occurred in 1969 with nationalisation of commercial banks.
- It was then that the concept of social banking was put into practice and credit needs of the farmers were addressed as a priority issue in the context of rural development.

- (ii) elimination of the moneylenders as credit agencies.
- (iii) spread credit facilities across all regions of the country.
- (iv) provision of adequate credit in areas covered by special programmes of development.

(2) **State Bank of India and Other Commercial Banks:** The State Bank of India was set-up in 1955 with a focus on rural credit.

The government realised that rural credit needs could not be met by the cooperative credit societies alone, and that commercial banks should play an important role.

This prompted nationalisation of certain banks in 1969. The nationalised commercial banks (through their branch expansion programmes) were directed to offer credit directly to the farmers as well as indirectly through cooperative societies.



(3) **Regional Rural Banks (RRBs) and Land Development Banks:**

RRBs and Land Development Banks were set-up to promote credit supplies, particularly in the remote rural areas and backward districts. These banks operate at the district level and are under obligation to focus on credit needs of weaker sections of the rural population.

(4) **National Bank for Agricultural and Rural Development (NABARD):** NABARD is an apex institution handling policy, planning and operations in the field of rural credit and related economic activities. Its main functions are as these:

- (i) To serve as an apex funding agency for the institutions providing credit in rural areas.



Multi-agency System

Institutional structure of rural banking consists of:

- (i) Commercial banks,
- (ii) Regional Rural Banks (RRBs),
- (iii) Cooperative Credit Societies, and
- (iv) Land Development Banks.

This institutional structure of rural banking is called multi-agency system.

- (ii) To take appropriate measures to improve the credit delivery system. The bank was to focus on restructuring of credit institutions and training of personnel.
- (iii) To coordinate the rural financing activities of all credit institutions and maintain liaison with Government of India, State Government, Reserve Bank, and other national level institutions concerned with policy formulation.
- (iv) To undertake monitoring and evaluation of projects refinanced by it.

RBI and Rural Credit

- ❑ If the rural credit system in India has acquired its present size and significance, it is essentially due to the key role played by RBI.
- ❑ Since its beginning in 1935, the Reserve Bank of India has been playing an important role in providing credit to agriculturists and strengthening credit institution, primary cooperative credit societies and Land Development Banks in particular.
- ❑ It focuses on:
 - (i) short-term refinance facilities for agriculture and allied activities,
 - (ii) development of cooperative credit institutions,
 - (iii) expansion of the sources of funds for short-term and long-term wings of the cooperative credit system,
 - (iv) provision of long-term funds to bring about state partnership in cooperative credit agencies,
 - (v) training and professionalisation of cooperatives,
 - (vi) conducting rural credit surveys to determine the coverage of rural households by credit institutions,
 - (vii) helping bank-branch expansion programme to provide cheaper remittance facilities for banks operating in rural areas, and
 - (viii) guidance to all concerned on matters relating to rural credit.
- ❑ Thus, the role of RBI in the field of agricultural credit has been multi-dimensional, though largely regulatory in nature.

Rural Banking—A Critical Evaluation

Rural banking in India has significantly expanded over time. The expansion has been significant particularly since nationalisation of major commercial banks in 1969.

Nationalisation of commercial banks marked the beginning of social banking in rural areas, implying provision of institutional credit at moderate rates of interest.

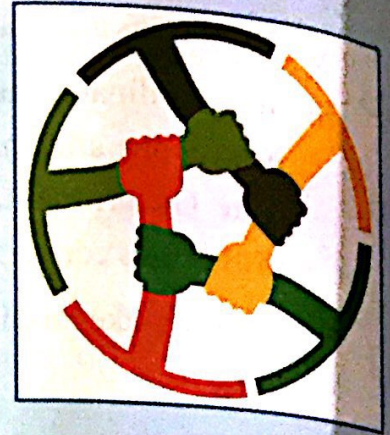
SHGs AND MICRO CREDIT PROGRAMMES

Self Help Groups (SHGs) and Micro Credit Programmes are an emerging phenomenon in the context of rural credit.

SHGs promote thrift (saving-habit) among rural households.

Small savings are mobilised by the SHGs and offered as credit to its different members, depending on their need.

Credit is offered without any security and at a moderate rate of interest. Presently, more than seven lakh SHGs are operating across different rural areas. Credit provisions are known as Micro Credit Programme. These programmes are becoming popular among small borrowers owing to their 'informal credit delivery mechanism' involving minimum legal formalities.



Kisan Credit Card (KCC) Scheme

- The Kisan Credit Card Scheme aims at adequate and timely support to the farmers for their short-term credit needs.
- Under the scheme, banks may issue Kisan Credit Cards to the farmers who are otherwise eligible for short-term credit for crop production, allied activities and other non-farm activities.
- The farmers under the scheme are issued a credit card cum passbook incorporating the name, address, particulars of land holding, borrowing limits, validity period, etc.

Establishment of NABARD (as an apex body coordinating activities of all financial institutions engaged in rural credit programmes) has made a substantial difference in the institution of rural credit. Rural financing has become much more organised than ever before.

It is not denying the fact that institutional credit has gone a long way in liberating the farmers from the debt trap of mahajans and moneylenders. Also, it is not denying the fact that institutional credit has promoted commercialisation of agriculture. But there is a flip side also.

Deficiencies of rural banking system are equally glaring. Notable observations in this regard are as these:

- (i) Banking credit or institutional credit has invariably been tied to collateral (security or guarantee of a property for the loans), because of which a large section of small and marginal holders are often left out.
- (ii) Owing to political populism, the government has often shown laxity (lack of strictness) in the recovery of loans. As a result, default rate has tended to swell/rise over time.
- (iii) Apart from commercial banks, most financial institutions have failed to develop a culture of thrift (saving for the future) among the farming families. Mobilisation of deposits has remained rather subdued.

Social banking in rural areas has taken a hit in the wake of economic reforms of 1991.

Impact of debt on the farmers is generally becoming so huge that suicidal deaths are rising from scores to centuries, particularly in the states of Andhra Pradesh and Maharashtra.

It is high time that the government considers rural banking as a social need for production purposes rather than an activity to achieve political popularity.

(B) The Challenge of Agricultural (Rural) Marketing

After harvesting, the farmers need to assemble their produce on the farm, process it, grade it, package it and store it before it is finally brought to the market for sale. Agricultural marketing includes all these processes between harvesting and final sale of the produce by the farmers. Thus, agricultural marketing may be defined as the process that involves:

- (i) gathering the produce after harvesting,
- (ii) processing the produce (like separating the straw from the grains),
- (iii) grading the produce according to its quality,
- (iv) packaging the produce according to buyers' preferences,
- (v) storing the produce for future sale, and
- (vi) selling the produce when the price is lucrative.

- ❑ *Agricultural marketing does not simply refer to the farmers' act of bringing their produce to the market for sale.*
- ❑ *It includes all those activities/processes which help him getting best price for his produce.*
- ❑ *Among others, these processes include grading, packaging and storage.*

At the time of independence, agricultural marketing was almost under the complete control of the moneylenders, traders and commission agents. In order to pay off their debts, the farmers often made a distress sale of their produce. Their holding capacity was almost zero. Having taken loans from the moneylenders (who happened to be traders and commission agents as well), the farmers were obliged to sell their crop to them only. Often, it implied a low price, besides a substantial loss on account of underweighing and customary commissions.

Distress Sale

- ❑ *Distress sale refers to a situation when the farmers are compelled to sell their produce immediately after the harvest, no matter how low the market price is.*
- ❑ *The compulsion to sell arises because: (i) the farmers need immediate cash to pay off their debts, and (ii) they lack storage facilities or the cost of storage is very high.*

An Alarming Fact

- Default rate among the borrowers is assuming alarming proportions.
- While many may be genuine defaulters, investigations suggest that nearly 50 per cent are willful defaulters.
- This certainly is an alarming development and may shake the very foundation of rural banking system.

Measures Initiated by the Government to Improve Marketing System

In order to improve the system of agricultural marketing, the government has initiated a series of measures, as under:

- (1) **Regulated Markets:** Regulated markets have been established where sale and purchase of the produce is monitored by the Market Committee including representatives of government, farmers and the traders. Market system is made transparent with a strict vigil on the use of proper scales and weights. The market committees ensure that the farmers get appropriate price for their produce.

Regulated Market Yards

- ❑ The government has built Regulated Market Yards on the outskirts of most towns in the country
- ❑ The farmers can come to these yards for a fair sale of their produce. These yards also offer storage facility to the farmers.
- ❑ The farmers can store their produce for future sale, hoping for a better price.

- (2) **Cooperative Agricultural Marketing Societies:** The government is encouraging the formation of Cooperative Agricultural Marketing Societies. As members of these societies, farmers find themselves better bargainers in the market, getting better price of their produce through collective sale.

Cooperative Marketing

- ❑ Cooperative marketing is a significant progressive step in the context of agricultural market system.
- ❑ Milk cooperatives in Gujarat are a brilliant example of cooperative marketing in rural India. These cooperatives have not only changed the social and economic fabric of the economy of Gujarat, but also have played a key role in bringing about White Revolution in the country.
- ❑ However, of late, some kinks have emerged in the system of cooperative marketing. These are (i) poor coordination between the marketing cooperatives and processing cooperatives, and (ii) snags (shortcomings) in financial management of the cooperative.

- (3) **Provision of Warehousing Facilities:** With a view to avoiding distress sale, the government is offering warehousing facilities to the farmers.

Central and State warehousing corporations are the principal government agencies offering storage space to the farmers.

Storage helps the farmers to sell their produce at a time when the market price is lucrative.

- (4) **Subsidised Transport:** Railways are offering subsidised transport facility to the farmers to bring their produce to the urban markets where often they get a better deal.
- (5) **Dissemination of Information:** Electronic media and print media are actively engaged in offering market related information to the farmers, particularly information related to price behaviour in the market. This helps the farmers in deciding how much to sell and when to sell.
- (6) **MSP Policy:** MSP Policy (minimum support price policy) is an important step initiated by the government to improve agricultural marketing system.

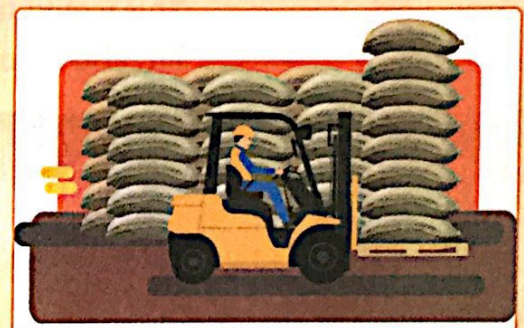
MSP is an assurance to the farmers that their produce would be purchased by the government at the specified price.

Of course, the farmers are free to sell their produce at a price higher than MSP in the open market.

Thus, the farmers are always assured of some minimum income from the sale of their crop.

Buffer Stocks and PDS

- ❑ MSP purchases from the farmers are kept as buffer stocks by the government. These stocks (of grains) are used, primarily for Public Distribution System (PDS), besides meeting urgent needs during periods of low output and scarcity.
- ❑ PDS implies distribution of foodgrains (and other essentials like sugar and kerosene) through 'fair price shops' at subsidised rates, so that the poorer sections of the society have an easy access to these things.



Buffer Stock to Support MSP

On account of these measures by the government, agricultural marketing system has made some notable improvements. But, it has yet to go a long way before the millions of small and marginal farmers are able to defend their self-interest at all stages of the marketing process. The fact is that small and marginal farmers still continue to be the victims of distress sale to the rural moneylenders and commission agents. Surprisingly enough, nearly 90 per cent of agricultural marketing is still handled by the private traders, while the government agencies and cooperative societies are handling merely 10 per cent.

Defects of Agricultural Marketing

- Lack of transportation facilities
- Forced sales
- Numerous market changes
- Lack of credit facilities
- Lack of storage facilities
- Presence of middlemen
- Lack of standard weights and measures
- Inadequate market information

Alternative Marketing Channels—A Ray of Hope

Emerging alternatives of agricultural marketing are a ray of hope to the small and marginal farmers who have been silent sufferers at the hands of middlemen.

Direct sale by the farmers to the consumers is one such channel.



Big Bazaar: A Centre for Direct Sale by the Farmers to the Consumers

The states of Punjab, Haryana and Rajasthan are launching this channel through 'Apni Mandi', 'Big Bazaar', the state of Andhra Pradesh is launching it through 'Rythu Bazaars', and the state of Tamil Nadu is launching it through 'Uzhavar Sandies'.

Direct sales contract with the farmers by the national and multinational companies (like Reliance Retails) is another alternative channel of agricultural marketing.

In fact, these companies are offering advance payments to the farmers to supply farm products at the pre-determined rates.

It is hoped that, these systems of marketing grow in tandem with the growth of national and multinational retails.

This would not only help in expansion of market for the farm products, but also reduce 'price-risk' for the small and marginal holders.



Diversification lowers Market Risk

Agricultural Diversification and Market Risk

Agricultural diversification refers to the re-allocation of some of farm's productive resources into new activities or crops reducing market risk. Because price of all the crops may not drop at the same time. If one crop fetches low revenue, the other may fetch high. Thus, diversification helps stabilisation of farm income by lowering the market risk.

Diversification has two aspects:

- (i) Diversification of Crop Production, and
 - (ii) Diversification of Production Activity/Employment.
- (i) **Diversification of Crop Production** implies production of a diverse variety of crops rather than one specialised crop.

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

In India, where agriculture is still dominated by subsistence farming, diversification would mean a shift from subsistence farming to commercial farming.

It would mean choice of cropping pattern in accordance with the price structure in the market.

It would minimise the market risk arising due to price fluctuations. Also, it would minimise risk occurring due to failure of monsoon.

- ❑ Diversification of crop production minimises the market risk arising due to price fluctuations. It also minimises risk occurring due to monsoon failure.
- ❑ In areas where subsistence farming still predominates, diversification of crop production would mean a shift from subsistence farming to commercial farming.

(ii) **Diversification of Production Activity/Employment** implies a shift from crop farming to other areas of production activity/employment. It raises income as well as stabilises it. Finding sustainable livelihood away from crop farming becomes all the more significant in view of the fact that crop farming sector is overburdened.

Following section discusses some important non-farm areas of production activity/employment for the rural population.

3. THE EMERGING CHALLENGES OF RURAL DEVELOPMENT

(A) Employment Outside Agriculture

Finding options of sustainable livelihood (implying employment outside agriculture) is an important emerging challenge of rural development in India. Following are some notable options of employment (outside agriculture).

(1) Animal Husbandry

Animal husbandry is an important area of employment in India different from crop farming. It is also called **livestock farming**.

Poultry, cattle, and goats/sheep are important components of livestock in India. Poultry accounts for 42 per cent, cattle 25 per cent and goats/sheep nearly 20 per cent share in total livestock in India.

In most areas, livestock farming is combined with crop farming by the rural families with a view to supplementing their income.

Operation Flood

- It is a system of Milk Cooperatives, launched in 1966.
- The system requires the member farmers to pool their produce of milk for collective sale in the market.
- Pooling increases quantum of sale, and thereby increases bargaining power of the farmers.
- Pooling also makes grading and processing of the product as economically viable propositions. This raises market value of the product.
- Milk cooperatives in India have their epicentre in the state of Gujarat.
- Over the last 30 years or so, these cooperatives have recorded a wonderful progress, significantly contributing to the four-fold rise in the production of milk.
- It has proved to be an important non-farm area of income generation in the rural areas.



Animal Husbandry: Employment Outside Agriculture

A notable feature of crop-livestock mix is that as we move from irrigated areas to semi-arid and arid areas, the significance of livestock farming tends to increase while that of crop farming tends to decrease. Obviously because, lesser the irrigation (or more arid the area) lesser is the scope for crop farming.

Livestock farming in India is an important source of employment for the women. Presently, animal husbandry is a source of alternative employment to nearly 7 lakh small and marginal farmers in the countryside.

However, livestock sector is not free from problems. In terms of its size, our livestock population is perhaps the largest in the world. But in terms of its quality we are far behind from most developed countries in the world. Two principal problems related to livestock sector are:

- (i) Low productivity owing to backward know-how, and
- (ii) Deficient veterinary care.

These need to be urgently addressed.

(2) Fisheries

Kerala, Maharashtra, Gujarat and Tamil Nadu are the principal states in India where fisheries is an important source of livelihood in the rural areas.



Fisheries: A Source of Livelihood Outside Agriculture

The fishing community in India depends almost equally on inland sources and marine sources of fishing.

Inland sources include rivers, lakes, ponds and streams, while marine sources include seas and oceans.

Together these sources (inland and marine sources) are called 'water-bodies' which are regarded as 'provider' (of subsistence) by the fishing communities.

But fishing community continues to be as one of the most backward communities in the country.

Widespread indebtedness of the fishing communities makes fishing a vulnerable occupation. It is suggested that:

- (i) Credit facilities be provided to the fishing communities that breaks their vicious circle of indebtedness.
- (ii) Micro-financing through SHGs (Self Help Groups) may go a long way in redressing credit needs of the marginal fishing families in rural areas.
- (iii) Fishery technology be upgraded and made available to the fishing community.

(3) Horticulture

Horticulture is another alternative source of employment in the rural areas. It is more like diversification of crop production rather than a source of employment different from crop farming.

Horticultural crops include fruits, vegetables and flowers besides several others. Over time, there has been a substantial increase in area under horticulture.

Presently, India is second largest producer of fruits and vegetables in the world. We are emerging as a leading producer of mangoes, bananas, coconuts, cashew nuts and a variety of spices.

High crop productivity led to Golden Revolution in horticultural farming, during the years 1991-2012. Doubtless, horticulture is emerging as an important means of sustainable living in the rural areas.

There has been a significant rise in income levels of the farming families engaged in horticultural production.

Shifting to horticultural farming has reduced economic vulnerability of the small and marginal farmers. This has opened up new avenues of employment for the women folk in the rural areas. Significant it is to note that nearly 20 per cent of the total rural employment is generated by horticulture and related production activity.

However, an alarming fact is that the bulk of acreage under horticulture has expanded at the cost of acreage under pulses. Causing a severe shortfall in supplies of pulses and a cut in their consumption owing to high prices which are an important source of protein for the bulk of households in India relying on vegetarian diet.

(4) Cottage and Household Industry

Cottage and household industry has been a traditional source of non-farm production activity in rural areas.

Traditionally, this industry has been dominated by activities like spinning, weaving, dyeing and bleaching.

However, with the growth of urban textile industry, these activities have been hit hard in the rural areas.



Horticulture: Alternative Source of Employment

Golden Revolution

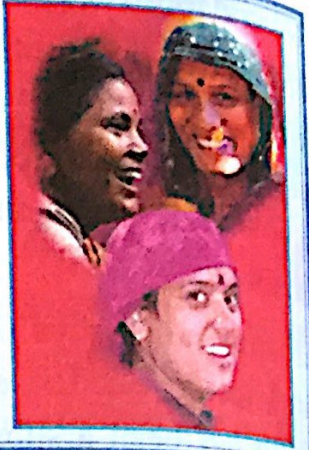
It refers to a series of research, development and technology transfer initiatives that increased production of horticultural crops (vegetables and fruits) and honey.



Cottage and Household Industry: Non-farm Production Activity in Rural Areas

TANWA

Tamil Nadu Women in Agriculture (TANWA) is a project launched in Tamil Nadu with a view to training women in diverse techniques of farming. This is expected to raise employment of women as well as their income through higher levels of productivity. Having acquired specialised skills through training, women are forming Farm Women's Groups. These groups function like SHGs and promote cottage and household production activity using their own pool of funds.

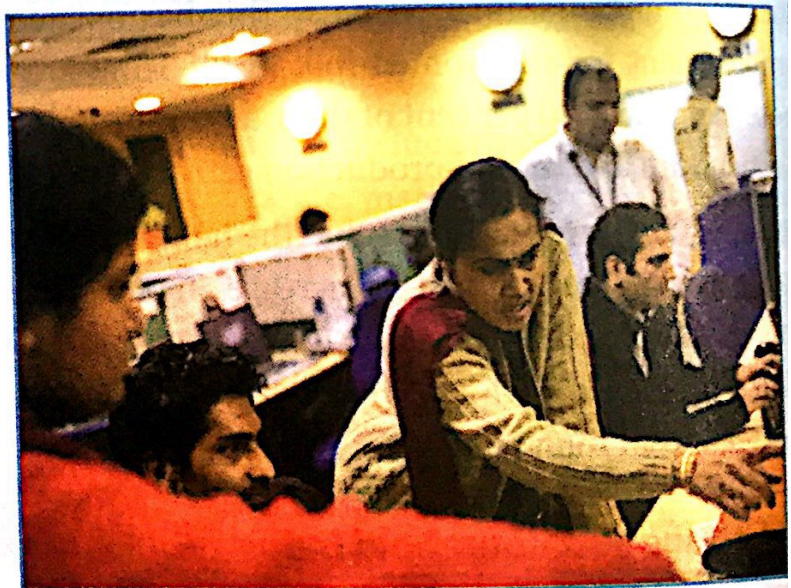


During the recent past, some new household activities (like soap manufacturing, doll-making, mushroom cultivation and bee-keeping) have emerged as alternative sources of income generation.

In many rural areas, these household activities are being promoted by Farm Women's Groups, focusing on income generation through employment of women in productive activities at the household level.

INFORMATION TECHNOLOGY (IT) AS AN OPTION OF LIVELIHOOD IN RURAL AREAS

We know, IT revolution is promoting Indian economy as a 'knowledge economy'. It highlights the significance of human capital as an important determinant of growth, beyond the significance of physical and financial capital. Consensus is emerging among the planners and politicians that in the 21st century knowledge economy of India will spread its wings across rural areas of the country. IT is expected to play an important role as an option of livelihood in rural areas. In fact, Action-programme has already been



initiated: an academy, called Jamshedji Tata National Virtual Academy for Rural Prosperity has been established. This academy is to impart operational training to nearly 10 lakh rural people to run 'info-kiosks'. These kiosks are to be equipped with computers, scanners, printers and photocopiers. These are to provide services like e-mailing, video-conferencing and transfer of documents to different places. Selling these services, the operators/owners of the kiosks are likely to make a reasonable living. Thus, every village will ultimately be a knowledge center where IT provides a sustainable option of employment and livelihood.

(B) Organic Farming and Sustainable Development

Organic farming is a system of farming that relies upon the use of organic inputs for cultivation.

Animal manures and composts are the basic organic inputs.

It discards the use of chemical inputs, like chemical fertilizers, insecticides and pesticides.

However, it needs to be noted that simply discarding the use of chemical fertilizers is not organic farming. Rather, it is a system of farming that focuses on maintaining soil health (rather than plant health) so that farming becomes 'a long period sustainable process' along with an eco-friendly environment.



Environment-friendly Organic Farming

Why Organic Farming?

Following are some notable advantages of organic farming, compared with conventional farming:

(1) **Discards the Use of Non-renewable Resources:** Unlike conventional farming, organic farming does not use synthetic chemicals which are petroleum-based. We all know that petroleum is a non-renewable resource.

(2) **Environment-friendly:** Organic farming is environment-friendly. Chemical fertilizers, on the other hand, pollute the groundwater by raising its nitrate content. Nitrates are a health-hazard and pollute the environment. Organic farming discards the use of chemical fertilizers.

(3) **Sustains Soil Fertility:** Use of animal manures and composts helps sustain soil fertility. Chemical fertilizers, on the other hand, erode soil fertility. Accordingly, organic farming is conducive to sustainable development of agriculture, while conventional farming is not.



Animal Manure helps sustain Soil Fertility

Farming, Soil Fertility and Sustainable Development

- ❑ Conventional farming (using chemical fertilizers) erodes fertility of soil, whereas organic farming (using animal manures and composts) sustains fertility of soil.
- ❑ Organic farming nurtures soil as a resource for future generations. Accordingly, it is not only environment-friendly but also contributes to sustainable development.
- ❑ Sustainable development is a process of development which uses existing resources so optimally that their availability for future generations is not reduced. The process of development is sustained over a long period of time.

(4) Healthier and Tastier Food: Organic farming offers healthier and tastier food compared with conventional farming. Recent studies have found that organically grown food is more nutritious than the food from chemical farming. Existing trends indicate that demand for organic food is trending up, even when high price is a constraining factor.

India has a Comparative Advantage

- ❑ India has comparative advantage in organic farming. Because, organic farming involves a labour-intensive process.
- ❑ Abundance of labour places India in a better position to specialise in organic farming.

(5) Inexpensive Technology for the Small and Marginal Farmers: Organic farming offers an inexpensive farming-technology to small and marginal farmers who constitute the bulk of farming population in India. Conventional technology is to be adopted as a package including HYV seeds, fertilizers, pesticides, insecticides, besides good irrigation facilities. Small and marginal farmers in India, in their desperate bid to use this package, often slip into indebtedness. No such package of expensive inputs is required for organic farming.

It cannot be denied that organic farming offers lesser yield as compared to conventional farming, and is therefore, not cost efficient. However, considering the fact that organic foods are in high demand, higher product price is expected to compensate for lower yield. Overall advantages of organic farming should certainly make it a more attractive proposition than conventional farming. Indeed, being a sustainable development process and environmental-friendly, organic farming must be given preference over conventional farming.

Power Points & Revision Window

- **Rural Development:** It means an action-plan for the economic and social growth of the rural areas.
- **Challenges of Rural Development:**
 - **Lingering Challenges of Rural Development:** (i) Challenge of rural credit, and (ii) Challenge of rural marketing.
 - **Emerging Challenges of Rural Development:** (i) Options of sustainable livelihood, other than farming, and (ii) Organic farming.
- **Sources of Rural Credit:**
 - **Non-institutional Credit Sources:** Traders, moneylenders and commission agents, and others.
 - **Institutional Credit Sources:** Cooperative Credit Societies, State Bank of India, Commercial Banks, Regional Rural Banks and Land Development Banks, NABARD.
- **Agricultural Marketing:** It includes gathering the produce after harvesting, processing the produce, grading the produce according to its quality, packaging the produce according to buyers' preferences, storing the produce for future sale, and selling the produce when price is lucrative.
- **Measures Adopted by the Government to Improve Marketing System:** (i) Regulated markets, (ii) Cooperative agricultural marketing societies, (iii) Provision of warehousing facilities, (iv) Subsidised transport, (v) Dissemination of marketing information, (vi) MSP policy.
- **Alternative Marketing Channels:** (i) Direct sale by the farmers to the households, (ii) Contract sale to the MNCs and corporate retails.
- **Options of Livelihood Other than Crop Farming:** It implies a shift from crop farming to non-farming areas of employment. Non-farm areas of employment include: (i) Animal husbandry, (ii) Fisheries, (iii) Horticulture, (iv) Cottage and household industry, (v) Information technology.
- **Organic Farming and Sustainable Development:** Organic farming is basically a system of farming that relies upon the use of organic inputs for cultivation. It discards the use of chemical inputs.
- **Merits of Organic Farming:** (i) Discards the use of non-renewable resources, (ii) Environment-friendly, (iii) Sustains soil fertility, (iv) Healthier and tastier food, (v) Inexpensive technology for the small and marginal farmers.
- **India has Comparative Advantage in Organic Farming:** Because it involves labour-intensive process of production, and India has abundance of labour.
- **'Low Yield and High Cost per Unit of Output'** is the principal constraint in switching over from conventional farming to organic farming.

EXERCISE

1. Objective Type Questions (Remembering & Understanding based Questions)

A. Multiple Choice Questions

Choose the correct option:

- Which of the following is a non-institutional source of rural credit?
(a) Cooperative Societies
(b) Commercial Banks
(c) Moneylenders
(d) Regional Rural Banks
- Short period credit is needed for:
(a) maintenance of the existing land
(b) purchase of new land
(c) purchase of seeds and manures
(d) purchase of machinery
- Distress sale by the farmers refers to:
(a) the sale of rotton crop
(b) the sale of crop through the commission agents
(c) the sale of crop at the minimum support price fixed by the government
(d) the sale of crop immediately after harvest owing to urgent cash needs of the farmers
- Which of the following is an emerging challenge related to rural development in India?
(a) Provision of credit
(b) Agricultural marketing
(c) Organic farming
(d) Irrigation
- Which of the following is not related to agricultural marketing?
(a) Storage
(b) Preservation
(c) Processing
(d) Use of chemical fertilisers
- Which of the following is expected to improve the marketing system?
(a) Regulated markets
(b) Improvement in transportation
(c) Minimum support price
(d) All of these
- MSP means:
(a) Minimum support price to the farmers
(b) Maximum support price to the farmers
(c) Minimum price of the crop in the retail market
(d) Maximum price for the farm inputs
- The principal lingering challenge in rural areas is:
(a) challenge of rural marketing
(b) challenge of rural credit
(c) both (a) and (b)
(d) none of these
- Long-term credit is required for:
(a) purchase of additional land
(b) purchase of machinery
(c) for carrying out permanent improvements on existing land
(d) both (a) and (c)

10. Cooperative credit societies are to ensure:
 - (a) timely and rapid flow of credit to the farmers
 - (b) elimination of moneylenders as credit agencies
 - (c) spread of credit facilities across all regions of the country
 - (d) all of these
11. Which of the following is the correct statement with respect to National Bank for Agricultural and Rural Development (NABARD)?
 - (a) It serves as an apex funding agency for the institutions providing credit in rural areas
 - (b) It takes appropriate measures to improve the credit delivery system
 - (c) Both (a) and (b)
 - (d) None of these
12. Which of the following statements highlight the glaring deficiencies of rural banking system?
 - (a) Institutional credit has invariably been tied to collateral
 - (b) Laxity in recovery of loans, owing to political reasons
 - (c) Both (a) and (b)
 - (d) None of these
13. The need for organic farming arises due to which of the following reasons?
 - (a) It is environment-friendly
 - (b) It sustains soil fertility
 - (c) Both (a) and (b)
 - (d) None of these

Answers

1. (c) 2. (c) 3. (d) 4. (c) 5. (d) 6. (d) 7. (a) 8. (c) 9. (d) 10. (d)
 11. (c) 12. (c) 13. (c)

B. Fill in the Blanks

Choose appropriate word and fill in the blank:

1. The gestation lag between sowing and harvesting of crops leads to _____ crop-caring cost. (high/low)
2. Landlords, village traders and moneylenders are some important sources of _____ credit. (institutional/non-institutional)
3. On the eve of independence, _____ sources show notional existence. (institutional/non-institutional)
4. Self Help Groups (SHGs) and Micro Credit Programmes are an emerging phenomenon in the context of _____ credit. (urban/rural)
5. Agricultural marketing _____ simply refer to the farmers' act of bringing their produce to the market for sale. (does/does not)
6. _____ is a significant progressive step in the context of agricultural market system. (Cooperative marketing/Provision of warehousing facilities)
7. Diversification of crop production _____ market risks. (maximises/minimises)
8. With the nationalisation of commercial banks, the concept of _____ was put into practice in India. (social banking/cultural banking)

9. High crop productivity led to _____ revolution in horticultural farming in India.
(golden/green)
(Organic/Chemical)
10. _____ fertilizers erode soil fertility.

Answers

1. high 2. non-institutional 3. institutional 4. rural 5. does not
6. Cooperative marketing 7. minimises 8. social banking 9. golden 10. Chemical

C. True or False

State whether the following statements are True or False:

1. Rural development means an action-plan for the social and economic growth of the rural areas. (True/False)
2. Medium-term credit is required for purchase of additional land. (True/False)
3. Commercial banks, regional rural banks and cooperatives are institutional sources of credit in India. (True/False)
4. The State Bank of India (SBI) was set-up in 1955 with a focus on urban credit. (True/False)
5. Reserve Bank of India (RBI) is the apex institution handling policy, planning and operation in the field of rural credit. (True/False)
6. Institutional sources of credit has gone a long way in liberating the farmers from the debt trap of *mahajans* and moneylenders. (True/False)
7. Agricultural marketing does not include the grading of produce according to its quality. (True/False)
8. Distress sale refers to the situation when the farmers are compelled to sell their produce immediately after the harvest, irrespective of the prevailing market price. (True/False)
9. Cooperative marketing is a significant progressive step in the context of agricultural produce grading system. (True/False)
10. Animal husbandry is an important area of employment in India different from crop farming. (True/False)

Answers

1. True 2. False 3. True 4. False 5. False 6. True 7. False 8. True 9. False 10. True

D. Matching/Chronological

I. From the set of statements given in Column I and Column II, choose the correct pair of statements:

Column I	Column II
(a) Non-institutional source of rural credit in India	(i) Regional rural banks
(b) Medium-term credit	(ii) For purchase of additional land
(c) Cooperative credit societies	(iii) Adequate credit to the farmers at reasonable rate of interest
(d) Chemical farming	(iv) Tastier and healthier food

II. Identify the correct sequence of alternatives given in Column II by matching them with respective items in Column I:

Column I	Column II
(a) Horticultural crops	(i) Sustains soil fertility
(b) Short-term credit	(ii) Shift from single-cropping system to multi-cropping system
(c) Diversification of crop production	(iii) Purchase of inputs
(d) Organic farming	(iv) Fruits, vegetables and flowers

Answers

(a)—(iv), (b)—(iii), (c)—(ii), (d)—(i)

E. 'Very Short Answer' Objective Type Questions

1. What do you mean by agricultural credit?

Ans. Agricultural credit means credit for the farming activity.

2. Define non-institutional sources of agricultural credit.

Ans. Landlords, village traders and moneylenders are the three important sources of non-institutional agricultural credit in India.

3. Name three institutional sources of agricultural credit.

Ans. Three institutional sources of agricultural credit are:

(i) Cooperative credit societies,

(ii) Commercial banks, and

(iii) Regional rural banks.

4. What is meant by agricultural diversification?

Ans. Agricultural diversification refers to the reallocation of some of farm's productive resources into new activities or crops.

5. Define the concept of micro-credit.

Ans. Micro-credit refers to small loans meant for the impoverished people.

✓ **Government Reports**

Successful Governance Initiatives and Best Practices: Experiences from Indian States, Government of India in Coordination with Human Resource Development Centre and UNDP, Planning Commission, Delhi, 2002.

Annual Reports, Ministry of Rural Development, Government of India, New Delhi.

Basic Animal Husbandry and Fisheries Statistics (for various years), Ministry of Agriculture and Farmers' Welfare, Government of India.

Website

www.dahd.nic.in

ASSIGNMENT

- Q-1 What do you mean by rural development? Bring out the key issues in rural development.
- Q-2 Discuss the importance of credit in rural development.
- Q-3 Explain the role of micro-credit in meeting credit requirements of the poor.
- Q-4 Why is agricultural diversification essential for sustainable livelihood?
- Q-5 What do you mean by agricultural marketing?
- Q-6 What are the alternative channels available for agricultural marketing? Give some examples.
- Q-7 Distinguish between 'Green Revolution' and 'Golden Revolution'.
- Q-8 Explain the role of non-farm employment in promoting rural diversification.
- Q-9 What is organic farming and how does it promote sustainable development?