



Economics Notes PDF

On

Rural Development

(Class - 12)

RURAL DEVELOPMENT

It is a broad word that focuses on taking action to develop regions that are falling behind in the overall growth of the village economy.

Objectives of Rural Development:

- Development of human capital resources including education and health services.
- Land reforms.
- Development of productive resources of each locality.
- Infrastructure development.
- Opportunities to diversify in non- farm activities.
- Special measures for alleviation of poverty.

RURAL CREDIT

Rural credit means credit for the farming communities. Farmers require credit for various purposes like purchasing agricultural tools and machines, digging wells and tube wells, purchasing seeds, fertilizers, pesticides, etc. The time between seeding and harvesting is very long. As a result, farmers have to borrow money to meet their demands at this time.

Sources of Rural Credit:

1. Non-institutional sources: It includes money lenders, traders, landlords, friends, relatives, etc.
2. Institutional sources: It includes:
 - Co-operative credit societies: They provide adequate credit at reasonable rate of interest. They also provide financial guidance in the planning of agricultural operations, assistance in raising crops & its productivity. Currently, cooperatives account for 43% share in credit flow of agricultural credit.
 - Commercial Banks: It provides both direct & indirect loans for the agriculture & allied activities for a maximum period of 15 years.
 - Regional Rural Banks: These were set up in 1976 to provide adequate credit at cheaper rates. Nearly, 90% of the loans RRBs are provided to the weaker sections.
 - National Bank for Agriculture and Rural Development (NABARD): It was set up in July 1982 with an authorized share capital of Rs.500 Crores on a 50-50 basis between RBI & the union govt. Deputy Governor of RBI is the chairman of NABARD.

RURAL BANKING: A CRITICAL APPRAISAL

After the nationalisation of commercial banks in 1969, the rapid expansion of the banking system in rural areas has been witnessed. Rural banking has raised the level of rural farm and non-farm output, income and employment especially after the green revolution.

ADVANTAGES:

Raising farm and non-farm output by providing services and credit facilities to farmers.

- Generating credit for self employment schemes in rural areas.
- Achieving food security which is clear from the abundant buffer stocks of grains.

LIMITATIONS:

Small and marginal farmers receive only a very small portion of the institutional credit.

- Rural banking is suffering from the problems of large amounts of over dues and default rate.
- The sources of institutional finance are inadequate to meet the requirements of agricultural credit.
- There exist regional inequalities in the distribution of institutional credit.

It is suggested that more and more regional rural banks should be set up to meet the credit needs of the rural and backward areas of India.

AGRICULTURAL MARKETING SYSTEM

Agricultural Marketing is the process of putting together, storing, processing, transporting, packaging, grading, and distributing various agricultural commodities throughout the country.

Measures to Improve Agricultural Marketing:

Following independence, the government has taken a number of steps to enhance the country's agricultural marketing system.

In order to regulate the markets, it has enacted the following measures:

- **Regulated Markets:** The first measure was regulation of markets, to create orderly and transparent marketing conditions. This is set up to safeguard farmers from the misdeeds of sellers and brokers.
- **Cooperative Marketing:** Marketing societies are formed by farmers to sell the output collectively and to take advantage of collective bargaining for obtaining a better price. However, cooperatives have not been able to function properly in the recent past due to inadequate coverage of farmer members, inefficient management etc.
- **Infrastructural facilities:** Govt. had also provided infrastructural facilities like roads, railways, warehousing, old storage and processing units in order to develop the rural sector of India.
- **Standardization and Grading:** Grading and quality control helps farmers to get good prices for quality products produced by them. Also it simplifies the task, and enhances the efficiency of their work by proper segregation and bifurcation of output of different grades and standards.

AGRICULTURAL DIVERSIFICATION IN INDIA

Diversification is an emerging challenge in the context of rural development. It has two aspects:

A. Diversification of Crop Production- It includes growing a variety of crops i.e. multiple cropping systems. This also involves shifting cropping patterns from food grains to cash crops. The main aim is to promote the shift from subsistence farming to commercial farming.

B. Diversification of Productive Activity- It includes shift from agriculture to other activities like livestock, poultry, fisheries, etc. This will provide an alternative source of money while also providing a sustainable livelihood. It includes:

- **Animal husbandry:** Animal husbandry is the practice of livestock production, as well as breeding and taking care of cattle etc. in order to gain economically.
- **Fisheries:** For the fishing communities, the water bodies are the provider and mother. Hence, water sources are an integral part of the lives of the fishing communities. Fisheries in India have progressed significantly as a result of increased financial allocations and the adoption of new technologies in fisheries and aquaculture.
- **Horticulture:** Horticulture is the branch of agriculture concerned with growing plants for human consumption, therapeutic purposes, and ornamental gratification.
- **Other Options:** IT has played a crucial role in looking for options other than agricultural and farm activities which would help in the sustainable development.

ORGANIC FARMING

Organic farming is the natural way of growing food. Synthetic chemical fertilizers and genetically engineered organisms are not used in this procedure. It is both environmentally friendly and necessary for long-term development. It has a zero impact on the environment.

ADVANTAGES:

- Organic farming is less expensive.
- It generates income through international exports as the demand for organically grown crops is increasing.
- Organically grown food has more nutritional value than chemical farming.
- It increases employment opportunities as it requires more labor.
- The output is pesticide free & produced in an environmentally sustainable way.

LIMITATIONS:

- Lack of awareness and willingness on the part of farmers to adopt new technology.
- There is inadequate infrastructure & marketing facilities.
- The output of organic farming is much less, so they are costly.
- Choice of production of off season crops is limited in organic farming.

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