



ECONOMICS OF CLASS XI CHAPTER-5 RURAL DEVELOPMENT

Q.1. What do you mean by rural development? Bring out the key issues in rural development.

Ans. Rural areas support the bulk of India's population. Simultaneously, these areas are the breeding ground of poverty, hunger and starvation. So, to accelerate the process of growth and development of a country, rural development must be accorded priority. Rural development refers to the actions and initiatives taken for the social and economic development of the rural or backward areas. The key issues in rural development are as follows:

1. Human Capital Formation- Rural areas lack quality human capital. Therefore, rural development programmes should aim at development of human resources by investing in education, technical skills development through on-the-job training, health care, etc.

2. Development of Productive Resources- Productive resources help in generating employment opportunities. In rural areas, the main occupation is agriculture that usually suffers from low productivity, lack of infrastructure and disguised unemployment. Thus, rural development must aim at development of alternative sources of occupation. Development of productive resources reduces excess burden on the agricultural sector, thereby, increasing productivity and income of the rural people.

3. Development of Rural Infrastructure- Infrastructure development is a very crucial issue at the micro level. It provides a support system to all the production activities in the economy, the absence of which makes economic growth and social development impossible. Development of rural infrastructure includes development of bank, credit societies, electricity, means of transport, means of irrigation, development of markets, facilities for agricultural research, etc.

4. Land reforms- Land reforms along with technical reforms must be initiated in the rural areas. These enable the use of modern techniques and methods, thereby, increasing the productivity and aggregate volume of farm output. In addition, land reforms lead to efficient and optimum use of land, enabling large scale production.

5. Lessening Poverty- Poverty is one of the main causes of rural underdevelopment. Poverty is not a problem in itself; in fact, it gives rise to many other interrelated problems like unemployment, inferior human capital, underdevelopment and backwardness, inequalities, etc. An important step

that should be taken in order to tackle the poverty is to develop income-earning assets. Such assets would generate income, raise living standards and make rural people self-sufficient

Q.2. Discuss the importance of credit in rural development.

Ans. Finance and credit are the two essential requirements for rural development. The rural areas often suffer from low income leading to low rate of savings. Farmers find it very difficult to increase their productivity by investing on their farm lands. Further, the limited number of banks that are available in the rural areas prefer to forward credit to the farmers with large land-holdings. Getting credit from banks being difficult, the small and marginal farmers fall easy prey to the money lenders. The infusion of credit is very essential for the growth of agricultural sector, leading to rural economic development. The importance of credit in rural development is highlighted in the following points:

1. Credit helps the farmers to commercialise their farming. In other words, commercial farming requires funds that are provided via credit. As the small and the marginal farmers produce only for their subsistence, they fail to generate sufficient surplus to reinvest on their lands leading to degradation of the land.
2. Secondly, given the long gestation period between sowing and harvesting of the crops, credit is extended to the farmers for meeting their initial requirements of farm inputs like seeds, fertilisers, etc.
3. Credit saves the farmers from the vicious circle of poverty. The farmers require funds for meeting their general and specific needs. These needs are to be fulfilled via credit.
4. Lastly, agriculture has always been dependent at the vagaries of climate. In the absence of good monsoon or crop failure, farmers are worst hurt. Thus, in order to save them from such tragedy, crop insurance and farm credit plays a vital role.

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

Ans. Micro credit refers to credit and other financial services provided to the poor through Self Help Groups (SHGs) and non government organisations. The Self Help Groups are playing a crucial role in meeting the credit requirements of the poor by inculcating saving habits among the rural households. The individual savings of many farmers are pooled together to meet the financial requirements of the needy members of the SHGs. The members of these groups have been linked with the banks. In other words, SHGs enable the economically poor individual to gain strength as part of a group. Also, the financing done through SHGs reduces transaction costs for both the lenders and the borrowers. The National Bank for Agricultural and Rural Development (NABARD)



played a key role in providing credit at special concessional rates. Presently, more than seven lakhs SHGs are operating across different rural areas. SHGs' programmes are becoming popular among the small and marginal borrowers owing to their informal credit delivery mechanism along with minimum legal formalities.

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

Ans. The following are the various steps initiated by the Indian government to develop the rural markets:

1. Regulated Markets: The government came up with the concept of regulated market where the sale and purchase of the products are monitored by the Market Committee. This Market Committee consists of farmers, government agents and traders. This practice infuses greater transparency in the marketing system through the use of proper scales and weights. Such committees ensure the farmers and the consumers in receiving fair price in exchange of their products

2. Infrastructure Development: The present infrastructure is not sufficient to meet the growing demands of the farmers. Indian government provided cold storages and warehouses that help the farmers to sell their product at the time when the price is attractive. Also, railways offer subsidised transport facilities to the farmers. This enables the farmers to bring their product to urban areas where they can earn huge profits.

3. Co-operative Agricultural Marketing Societies: The government also started co-operative marketing under which the farmers get access to fair prices. This is due to the better and enhanced bargaining power of the farmers via collective sale in the market.

4. MSP Policy: Minimum Support Price is a minimum legislated price that a farmer may charge in exchange for his products. This enables them to sell their products in the open market at a higher price. The MSP insulates the farmers in case of price fall as this is the minimum price that they can receive. The need of such assurance to the farmers is of immense importance as farming in India is subject to many uncertainties.

Q.5. Why is agricultural diversification essential for sustainable livelihoods?

Ans. The agricultural diversification implies diversification of crop production and shifting of agricultural workforce to other allied activities such as livestock, poultry, fisheries, etc. and non-agriculture sector. The shift from the crop farming to non-farm employment is essential in order to



raise income and to explore alternative avenues of sustainable livelihood. The importance of agricultural diversification can be explained with the help of the following points:

1. A substantial portion of Indian farming is dependent on the vagaries of monsoon, making it a risky affair to rely upon solely. Accordingly, the need for diversification is required to enable the farmers to earn from other alternative non-farm occupations. This lessens excess burden on agriculture by reducing disguised unemployment.
2. The kharif season opens up ample opportunities for agricultural employment. However, owing to lack of irrigation facilities, the farmers fail to get gainful employment opportunities during the Rabi season.. Therefore, the need of diversification arises during the Rabi season.
3. Agriculture being over crowded cannot further generate employment opportunities.. Therefore, the prospects of the non-farm sectors should be opened up in the rural areas to provide job opportunities, thereby, diverting workforce from the already crowded agricultural sector.
4. The non farm sector has several segments that possess dynamic linkages. Such linkages enhance the healthy growth of an economy.

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

Ans. With the nationalisation of the commercial banks after 1969, the concept of social banking came into existence. It implies extending institutional credit at moderate rate of interest. The National Bank for Agricultural and Rural Development (NABARD) has made a significant progress in the field of rural credit. It cannot be denied that the institutional credit has freed the farmers from the trap of money lenders and mahajans. But, on the other hand, institutional credit is not free from deficiencies. The rural or institutional credit has invariably been associated with security or collateral. Consequently, a substantial number of farmers cannot avail credit. Also, the commercial banks failed to encourage the habit of thrift among farmers. In addition to this, the leniency on the part of the government to collect taxes was another setback in the rural banking. This further led to the emergence of the feeling among the farmers of not repaying the borrowed amount. This increased the defaulter's rate and led to financial unfeasibility for the rural banks.

Q.7. What do you mean by agricultural marketing?

Ans. Agricultural marketing refers to all those processes that are involved from harvesting to final sales of the products by the farmers. These processes involve:

- a) gathering the product after harvesting.



- b) processing the product
- c) grading the product, according to, different quality norms
- d) packaging the product
- e) storing the product for future use
- f) selling the product at attractive prices

In other words, it does not simply refer to the farmers' act of bringing their product to the market for the purpose of sale. But it also includes all those activities that help the farmers to fetch the maximum price for his product.

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

Ans. Agricultural marketing does not simply refer to the farmers' act of bringing their product to the market for the purpose of sale. But it also includes all those activities that help the farmers to fetch the maximum price for their product. The following are some of the obstacles that hinder the mechanism of agricultural marketing:

- i. Farmers are vulnerable to defective weighing techniques and misappropriation of accounts.
- ii. Farmers are often ill-informed about market prices and market conditions. Being ignorant, farmers are forced to sell their product at lower prices.
- iii. The farmers lack access to proper storage facilities to store their produce for future sell at better prices.
- iv. The farmers cannot avail agricultural credit, leading to their exploitation by the moneylenders and mahajans.

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

Ans. The small and marginal farmers, selling their product through the middlemen, were exploited by these middlemen. The farmers were not given appropriate price for their product. In this context; there arose a need for an alternative marketing channel. Under this channel, the farmers can sell their product directly to the consumers that would fetch them comparatively higher price, thereby, attractive profits. Some of the examples of alternative agricultural marketing are *Apni Mandi* in states like Punjab, Haryana and Rajasthan, *Hadaspar Mandi* in Pune, *Rythu Bazars* in Andhra Pradesh, *Uzhavar Sandies* in Tamil Nadu. Another alternative channel for agricultural marketing is the contract of direct sales between the farmers and the national and international companies. These companies offer advance payments to the farmers for supplying products at pre-determined



rates. These alternative agricultural channels raise farmer's income and simultaneously reduce price risk for the small and marginal farmers

Q.10. Distinguish between 'Green Revolution' and 'Golden Revolution'

Ans.

Green Revolution	Golden Revolution
The combined use of HYV seeds and increased use of fertilisers and developed irrigation facilities jointly to increase the production of rice and wheat. This increase in the production of the food grains is known as the Green Revolution.	The rapid growth in the production of the horticultural crops such as fruits, vegetables, tuber crops, flowers, etc. is known as Golden Revolution.
It led to increase in the production, especially, of rice and wheat.	It led to increase in production of fruits, vegetables, flowers, aromatic plants, spices, etc.
As a result of this revolution, India became self-sufficient in the production of wheat and rice.	As a result of this revolution, India became a world leader in the production of mangoes, bananas, coconut and spices.

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

Ans. The following are the various steps initiated by the Indian government to develop the rural markets:

1. Regulated Markets: The government came up with the concept of regulated market where the sale and purchase of the products are monitored by the Market Committee. This Market Committee consists of farmers, government agents and traders. This infuses greater transparency in the marketing system through the use of proper scales and weights. Such committees ensure the farmers and the consumers in receiving fair price in exchange of their products

2. Infrastructure Development: The present infrastructure is not sufficient to meet the growing demands of the farmers. The government of India has provided cold storages and warehouses that help the farmers to sell their product at the time when the price is attractive. Also, railways offer



subsidised transport facilities to the farmers. This enables the farmers to bring their product to urban areas where they can earn huge profits.

3. Co-operative Agricultural Marketing Societies: The government also started co-operative marketing under which the farmers get access to fair prices. This is due to the better and enhanced bargaining power of the farmers via collective sale in the market.

4. MSP Policy: Minimum Support Price is a minimum legislated price that a farmer may charge in exchange of his products. This enables them to sell their products in the open market at a higher price. The MSP insulates the farmers in case of price fall as this is the minimum price that they can receive. Given the uncertainties faced by the farmers, the need of such assurance to them is of immense importance.

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

Ans. The non-farm areas of employment are essential with a view to raise income and exploring alternative avenues of sustainable livelihood besides agriculture. The following are the importance of non-farm employment opportunities in promoting rural diversification:

1. A substantial portion of Indian farming is dependent on the vagaries of monsoon, making it a risky affair to rely upon solely. Hence, non-farm employment opportunities are to be explored to enable the farmers to earn from alternative non-farm occupations. This will lessen the excess burden on agriculture by reducing disguised unemployment.
2. The kharif season opens up ample opportunities for agricultural employment. However, due to lack of irrigation facilities, the farmers fail to get gainful employment opportunities during the Rabi season. Therefore, absence of opportunities in agriculture sector should be compensated in non-farm sectors.
3. Agriculture being over crowded cannot further generate employment opportunities to the farmers. Therefore, the prospects of the non-farm sectors should be opened up in the rural areas to provide job opportunities, thereby, diverting workforce from the already crowded agricultural sector.
4. The non-farming sector has several segments that have dynamic linkages. Such linkages enhance the healthy growth of the rural areas.
5. The non-farm sector provides employment opportunities for the whole year as compared to the farming occupation. So, it helps to eradicate poverty from the rural areas.
6. Most of the output of non-farm sectors acts as an input for the large scale industries. For example, agro-processing industries, food processing industries, leather industry, tourism, etc. This has two-fold benefits. First, the large scale industries can specialise in their final output by relying on the



processed inputs from the non-farm sectors. Secondly, such dependence of the large scale industries provides impetus to the non-farm sectors reducing the urban-rural regional disparities

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

Ans. Importance of Animal Husbandry

Animal husbandry is the most important non-farm employment in India. It is also known as Livestock Farming. Poultry, cattle and goats/sheep are the important components of livestock farming in India. Most of the rural families carry out livestock farming together with crop farming in order to increase their income. The share of livestock farming is comparatively higher in the semi arid and arid areas than the irrigated areas. This is because the arid areas have lesser access to irrigation facilities and thereby, crop farming is less feasible. Thus, in other words, it can be said that livestock farming provides sustainable livelihood to the people in the semi arid and arid regions where farming can't be performed well. Further, capital investment in livestock farming is comparatively less than that in crop farming. In addition, livestock farming is an important source of employment for rural women. Presently, animal husbandry is the most important source of alternative employment, employing approximately 70 million small and marginal farmers. Besides providing employment, livestock farming has resulted in increased production of milk, eggs, meat, wool and other by-products, enhancing the consumption bundle qualitatively and nutritionally.

Importance of Fisheries

'Fisheries' are an important source of livelihood in the coastal states such as Kerala, Maharashtra, Gujarat and Tamil Nadu. The fishing community in India depends on water bodies- both inland and marine water bodies. Inland sources include rivers, lakes, ponds, and streams, while, the marine sources include seas and oceans. The increasing efforts by the state governments have attracted funds in this sector, boosting the production. But this community remains one of the backward communities in the country due to low per capita earnings, lack of labour mobility to other sectors, illiteracy and indebtedness. Despite a significant segment engaged, this sector contributes only 1.4% to India's total GDP.

Importance of Horticulture

Horticulture is emerging as an important source of livelihood in the rural areas. Horticultural crops include fruits, vegetables, medicinal and aromatic plants and flowers. Presently, India is the second largest producer of fruits and vegetables that includes mangoes, bananas, coconuts, cashew nuts



and variety of species. There has been a considerable rise in the income levels of families engaged in horticultural production. The increase in horticultural production has lowered the vulnerability of small and marginal farmers. This has provided a gateway of opportunities for employment for women. It generates employment for 19% of India's total labour force. In contrast to fishing, Horticulture does not suffer from ecological and environmental problem. Hence, horticulture must be promoted with sufficient investment and infrastructure.

Q.14. 'Information technology plays a very significant role in achieving sustainable development and food security' — comment.

Ans. Information technology (IT) plays a very significant role in achieving sustainable development and food security. IT enables to provide and store data related to the past and future conditions providing inputs for policy decision and for adopting various corrective measures. For example, with the help of IT, weather conditions can be forecast. If, for example, there is a probability of crop failure, then preventive measures can be taken to avoid or mitigate the impact of food insecurity. Information technology facilitates the storage and dissemination of information on emerging technologies, weather and soil conditions for growing various crops, etc, which ease the decision making process vis-a-vis production and productivity. Now days, the farmers can consult *Kisan Call Centres* and various web sites providing valuable information regarding measures to improve farm productivity and quality of farm inputs, seeds, fertilisers and various modern techniques. It acts as a tool for identifying the experts on food security and sustainable development. . IT sector also generates employment opportunities in the backward areas *via* developing 'info kiosk' (i.e. PC with internet, scanner, etc.) in the rural areas. Thus, it can be said that IT plays a vital role in assuring food security and sustainable development in India.

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

Ans. Organic farming refers to a system of farming that sustains and enhances the ecological balance. In other words, this system of farming relies upon the use of organic inputs for cultivation. The traditional farming involves the use of chemical fertilisers, toxic pesticides, etc. that harms the eco system drastically. So, this type of farming is practiced to produce toxic-free food for the consumers while simultaneously maintaining the fertility of the soil and contributing to ecological balance. This type of farming enables eco friendly sustainable economic development.



Q.16. Identify the benefits and limitations of organic farming.

Ans. Organic farming has some notable advantages as compared to the conventional farming. The advantages of the organic farming are as follows:

- 1. Discards Use of Chemicals:** Unlike conventional farming, organic farming is free from synthetic chemicals. The chemicals present in the chemical fertilisers penetrate into the ground water and raises its nitrate content. This cause health hazards and also pollutes the environment. So, organic farming is an environment friendly method of farming.
- 2. Sustains Soil Fertility:** The use of chemical fertilisers leads to erosion of soil fertility. Organic farming discards the use of chemical fertilisers. Therefore, this farming is practiced to produce non-toxic food for the consumers without degrading the soil fertility.
- 3. Healthier Food:** Organically grown crops have high nutritional value than the conventionally grown crops. Also, the demand for organic farming rises rapidly even at a higher price.
- 4. Inexpensive Technology for Small and Marginal Farmers:** The small and marginal farmers constitute the bulk of the farming. Organic farming offers an inexpensive farming technique to these small and marginal farmers.
- 5. Generates Income from Exports:** It generates higher income from exports as there is huge international demand for organic crops.

Limitations of Organic Farming:

Despite the above mentioned benefits, Organic Farming suffers from the following limitations:

1. Organic Farming offers lesser yield than the conventional farming. Therefore, the productivity of the Organic Farming is lower than that of the conventional farming.
2. The popularity of organic farming depends on the awareness and willingness of the farmers to adopt this technology. Due to lower productivity, farmers lack initiative to adopt Organic Farming techniques.
3. The inadequate infrastructure and problem of marketing are the major concerns that need to be addressed to promote Organic Farming.
4. As Organic Farming offers lesser yield than conventional farming, this farming is not financially viable for the small and marginal land-holdings farmers.

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

Ans. In the initial years, it has been observed that the yields from Organic Farming are lesser than the modern agricultural farming. So, the farmers found it difficult to undertake large scale production.



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Also, due to the low yield per hectare, this technique was not financially viable for the small and marginal workers. The products obtained from organic farming have shorter life and are quickly-perishable. Moreover, the choice in production during off-season is quite limited in Organic Farming. Despite these shortcomings in the initial years, India has attained comparative advantage in Organic Farming due to labour intensive techniques. Hence, the availability of labour in abundance popularised Organic Farming in India.

M: 9999907099