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Rural Development and Rural Finance In India

SEMESTER - VI

BUSINESS ADMINISTRATION

BLOCK - 1

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BLOCK INTRODUCTION

This course "**RURAL DEVELOPMENT AND RURAL FINANCE IN INDIA**" has been structured to give the learners of BBA (Finance) specialisation programme, the basic idea about the rural finance in India. The course is designed keeping in mind the present changes in the rural financial system. India lives in villages and rural areas. So, it is utmost import to develop the rural economy of India. There are many issues related to rural development in India.

This is the First block of the course consisting seven units. In the first unit we will discuss the concept of rural development, strategies and importance of rural development, difference between urban and rural development. In the second unit we will discuss the size and structure of Indian rural economy, role and importance of rural sector in India, characteristics of Indian rural economy and causes of rural backwardness. In the third unit we will discuss the concept of community development characteristics of community development, Gandhian approach of rural development. Unit four discuss about cottage industries of India. Fifth unit discuss the issues related with rural indebtedness in India. Unit six and seven discuss about two very important issues of Indian economy-rural unemployment and poverty.

While going through a unit, you will notice that some along-side boxes, which have been included to help you know some of the difficult, unseen terms. Some ''ACTIVITY'' (s) has been included to help you to apply your own thoughts. Again, we have included some relevant concepts in ''LET US KNOW'' along with the text. At the end of sections, you will get ''CHECK YOUR PROGRESS'' questions. These have been designed to self-check your progress of study. It will be better if you solve the problems put in these boxes immediately after you go through the sections of the units and then match your answers with ''ANSWERS TO CHECK YOUR PROGRESS'' given at the end of each unit.

UNIT1: BASIC CONCEPTS OF RURAL DEVELOPMENT

UNIT STRUCTURE

1.1 Learning Objectives

1.2 Introduction

1.3 Concept and Definition of Rural Development

1.4 Strategies of Rural Development

1.5 Why is Rural Development Important in India?

1.6 Approaches to Rural Development in India

1.7 Major Financial Institutions for Rural Development in India

1.8 Some Dilemmas of Development

- 1.8.1 Rural versus Urban Development
- 1.8.2 Agriculture versus Industrial Development
- 1.8.3 Capital versus Labour Dogma
- 1.8.4 Autonomous Versus Induced Development

1.9 Let Us Sum Up

1.10 Further Reading

1.11 Answer to Check Your Progress

1.12 Model Question

1.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- explain the concept of rural development
- know the strategies of rural development
- know the needs of rural development
- explain the dilemmas of development.

1.2 INTRODUCTION

Rural development may be defined as overall development of rural areas to improve the quality of life of the rural people. It is an integrated process, which includes social, economic, political and spiritual development of the poor sections of the society. Rural development can be defined as,

helping rural people and set the priorities in their own communities through effective and democratic bodies, by providing the local capacity investment in basic infrastructure and social services, justice, equity and security, dealing with the injustices of the past and ensuring safety and security of the rural population, especially that of women. Rural development is a strategy to enable a specific group of people, (poor rural women and men), to gain for themselves, and their children more of what they want and need. It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of rural development. In this unit, we will briefly discuss the concept of Rural Development and its importance in India.

1.3 CONCEPT AND DEFINITION OF RURAL DEVELOPMENT

Some of the areas which are challenging and need fresh initiatives for development in India include:

- Development of human resources.
- Land reforms.
- Development of the locality specific productive resources of each locality.
- Infrastructure development like electricity, irrigation, credit, marketing, transport facilities including construction of village roads and feeder roads to nearby highways, facilities for agriculture research and extension, and information dissemination.
- Special measures for alleviation of poverty and bringing about significant improvement in the living conditions of the weaker sections of the population emphasising access to productive employment opportunities.

As most of the people on earth live in rural areas, development in true sense cannot be expected without addressing the basic necessities of this huge population. In the era of modern science and technology, large amount of population in rural areas are still deprived of adequate nutrition, good education, proper communication, and social justice. Therefore, rural

development is gaining importance in both the developed and developing countries. However, till today, there is no universally acceptable definition of rural development. As a concept, rural development is comprehensive and multidimensional. It means improving the quality of life of the people living in rural areas through agriculture and allied activities. As a phenomenon, rural development is the result of interactions between various physical, technological, economic, socio-cultural and institutional factors. For instance, if we want to develop rural area through agricultural activities, there is a need to think of changing the attitude of farmers toward modem agriculture; introduction of HYV (High Yeilding Varieties) of crops, mechanization of farming, use of fertilizers, pesticides; formation of SHGs (Self Help Groups) for microfinance; training of farmers for building capacities in modern agriculture; improvement of roads and communication system, provision of electricity, market etc. Therefore, it calls for a holistic approach of development. As a strategy, rural poor are always targeted in rural development. As a discipline, it has close relationship with subjects like agriculture and allied sciences, social sciences, health sciences, engineering and management sciences.

Rural development can be defined as an approach towards integrated development of an area and the people through optimum development and utilisation of local resources-physical, biological and human and by bringing about necessary institutional, structural, and attitudinal changes of rural public. Development of rural area means development of the people living in rural areas through implementation of various rural developmental schemes. The objectives of development include sustained increase in per capita output and income, expansion of productive employment and greater equity in the distribution of the benefits of growth. Rural development over the years has emerged as a strategy designed to improve the economic, social and cultural life of specific group of people as well as living in rural areas. Rural development must constitute a major part of development strategy if a larger segment of those in greatest need are to benefit. So, the term development in the context of rural development can be interpreted in the following ways:

- Development implies development of agriculture because agriculture and allied activities are the principal economic occupation of the rural masses.
- Rural development implies economic development i.e. increase in the national and the per capita income of rural community by improving industrialisation and creating employment opportunities.
- Rural development means all round development of the rural community, which include development of agriculture and economic development along with the provision of minimum needs, poverty alleviation and eradication of unemployment. Therefore rural development means all round development of the rural community.

In modern times, rural development is not just about agricultural growth though agricultural growth is a very important dimension of rural development; it is not enough on its own to ensure economic growth in rural areas. Other sectors or dimensions come into play in the process of rural growth, such as health, education and economic activities outside the agricultural sector. So, rural development is multi-sectoral. It embraces a variety of different economic and social sectors. These are summarised below:

- Agriculture and natural resources – crops, livestock, fishing, forestry
- Non-farm sector – services to agriculture (including input supply, marketing, transport, finance, agricultural processing), rural manufacturing, mining, and other rural services
- Rural infrastructure – roads, transport, energy, water
- Education
- Health

1.4 STRATEGIES OF RURAL DEVELOPMENT

Some important strategies of rural development are as follows-

- Provision of support to the Farmers' Groups, and Associations in order to build their capacity and supporting farmer unions.
- By adopting localized way of distributing agricultural products.
- Water management for agricultural production by the usage of

sprinklers and drips.

- Use of private companies for processing & marketing.
- By proper communication and quality maintenance.
- Enhancing rural micro finance services and provision of subsidies for crops.
- Strategy for provision of technology inputs to the farmers.
- Liberalization of Markets and Price Structures.
- All weather roads to rural habitations.
- Better economic utilization of agricultural residues, by-products & recycling of wastes by the establishment of separate plants at the village levels by the support of government.
- Enhancement of linkage to farmer groups with processors and buyers for increasing the profits to the farmers.
- Pests and disease control with the usage of improved seeds, Bio Fertilizers, Herbicides, and Bio Pesticides.
- Usage of advanced equipment and machinery that constitutes the technology for the plantation and harvesting of the crops that leads to decrease the labour cost.
- Agricultural productivity enhancement.
- Research and Development for agro processing technologies.
- Provision of various support services like soil testing.
- Establishment of farmer care centres.
- Analysis of complete agricultural trade statistics includes consumption data, diseases and disease control data, Statistics on agricultural products processing and marketing, fisheries, cropping intensity etc.
- Increasing the organic farming.



Cropping intensity ratio of the area under crops for each season during the year to the cultivable area operated by the farms. It is presented as a percentage.

The above mentioned strategies can be organised into the following broad categories-

Agricultural Development:

Agriculture is considered as the backbone of rural households. The agricultural sector plays an important role in India's economy and is responsible for a significant share of the Gross Domestic Product. Though the contribution of agriculture to India's GDP is currently about 17% but this

sector provides employment to more than 50% of the population of India. So, development of agricultural sector is very important issue in our country.Agricultural sector plays important economic role also. It is based on the development of the food industry but it also supports the development of numerous other sectors (input industry, providers of equipment, mechanisation, packaging, transport, and numerous other services). Investing in agriculture also means investing in rural development, as it is impossible to develop villages without agricultural development.

Development of Livestock Farming:

Livestock sector has been considered as a back bone of Indian agriculture. Animal husbandry is a part of livestock farming and is an art of breeding and rearing animals for the benefit of human society. Animal husbandry includes cattle, buffalo, chickens, goats, pigs, horses and sheep. Livestock farming not only supplies milk, meat, and eggs but also provides raw-materials to the animal based industries which are boosting Indian traditional art and crafts by providing feathers, hooves, horns etc. and many other things. As a result India is enriched with one of the largest diversity of animal wealth in the world. So, animal husbandry is our inevitable culture with a great potential for changing rural India. There is no doubt that, appropriate implementation of scientifically designed interventions, future prospect will surely be a milestone in transforming India. It will need some smart approaches with broad vision and obvious compassion for our animals.

Development of Small Scale Industries:

In agro-based economy like India, small scale industries play an important role in rural development and economy of the country. The Government of India has made various initiatives to promote and strengthen the small scale industries so that these industries may keep contributing to GDP. These industries not only contribute to GDP but also provide employment to the rural youth.

Micro Finance as a Strategy for Rural Development:

Micro finance or micro credit means the extension of small loans to individuals who are poor to quality themselves for traditional bank loans, as

they have no assets to be offered as guarantee. The micro finance plays an important role to speed up the rural development. Micro finance enhances choices available to the poor such as an opportunity to save, acquire productive assets, and reduce the dependency on the moneylenders. It can help the vulnerable situations for building up of assets, accumulated saving etc. Micro finance can be a powerful instrument for initiating a spiralling process of growth and development in the rural areas.

Strategy of Employment Generation for Rural Development:

For countries like India, the employment strategy has to be based on revitalizing all segments of the rural sector. The emphasis in the last few years of developing the physical infrastructure by construction of roads, extending power and telecom facilities have some impact in generating employment, including self-employment. A strategy of development has to be evolved which can take a balanced path between modernization and employment generation for only then can the nation progress.

Rural Infrastructure as a Strategy for Rural Development:

Rural infrastructure is crucial for agriculture, agro-industries and overall economic development of rural areas. It also, incidentally, provides basic amenities that improve the quality of life. Infrastructure can be divided into two categories – economic and social infrastructure. Economic infrastructure includes transport, communication, energy etc. and social infrastructure includes education, research, health, family welfare, housing, water supply, sanitation etc. Bharat Nirman is a time-bound plan for action in rural infrastructure in India. Under Bharat Nirman, action is proposed in the areas of irrigation, rural housing, rural water supply, rural electrification and rural telecommunication connectivity.

1.5 WHY IS RURAL DEVELOPMENT IMPORTANT IN INDIA?

In India majority of the population live in rural areas and major source of employment is agriculture that is why rural economy of India is sometimes called agrarian economy. Though two-third of India's population depends on agriculture but the share of agriculture to GDP is declining which is an

important issue of concern. Agriculture and allied activities, (like animal husbandry, dairying, forestry, etc.) cottage and small scale industries offer considerable scope for labour absorption and income generation for the poverty stricken rural masses with relatively low but quick results-producing investment. Increased production in rural areas will lead to higher purchasing power in the hands of the rural people which in turn will create more effective demand both for agriculture and industrial commodities. Household and small scale industries producing consumer goods for mass consumption hold out the greatest potential for employment. The rural people are facing the problems of undulation and poverty. The people are unemployed because they lack the skills to take up opportunities in life. If the rural sector is educated and advanced, it is easier to do business and the development is high. Therefore, rural development is necessary not only because an overwhelming majority of the population lives in villages but also because the development of rural activities is essential to accelerate the pace of overall economic development of the country. Rural development has assumed greater importance in India today than in the earlier period because of the process of globalisation and the increased pace of development of the country. The needs of rural development can be summarized by the following points-

Rural development is required –

- To remove poverty among the rural people and to increase their income.
- To generate employment to the surplus labours in the agricultural field so that migration from rural to urban areas can be prevented.
- To raises the quality of life and environment in rural areas.
- To manage resources like land, water for agricultural production in an effective manner.
- To produce variety of food products through agriculture.
- To improve profits for farmers.

1.6 APPROACHES TO RURAL DEVELOPMENT IN INDIA

The approaches to rural development in India can be divided into the following two parts.

i. **Gandhian Approach to Rural Development (Pre-Independence Approach):** Gandhi's concept of rural development is uplift of the common man. He realised the need for integrated rural development. Education is knowledge of power and health is stamina of person and society. His approach to rural development is non - violent. It is self - governed, self – sufficient in regard to food, clothing, and shelter in rural areas through reducing the rural poverty. He focused his attention on agriculture and non – agriculture aspect of rural economy through all-round development of rural India. Rural development means maximum production of agriculture and allied activities in the rural areas, including development of rural industries and cottage industries. It gives employment opportunities in rural areas especially for the weaker sections of the community so as to enable them to improve their socio – economic status. Mahatma Gandhi's idea to develop the Indian society was based on his understanding of the society and hence, based on the village system. He further believed that India will have to live in villages, not in towns, in huts not in palaces. He was sure that empowering of the village people and strengthening the village economy were critical factors in the processes of development. Mahatma Gandhi and his economic ideas are ever relevant to economic process in twenty first century. His vision to create Indian villages prosperous and progressive is feasible through economic process.

The Gandhian model of rural development is based on some values and premises as follows:

a) Real India is found not in cities but in its villages.

b) The revival of villages is possible only when the exploitation of villages is stopped. Exploitation of villages by city dwellers was "violence" in

Gandhi's opinion.

c) Simple living and high thinking implying voluntary reduction of materialistic wants and pursuit of moral and spiritual principles of life.

d) He believes in dignity of labour. Everyone must earn his bread by physical labour and one who labours must necessarily get his subsistence.

e) Preference should be given to the use of indigenous (Swadeshi) products, services and institutions.

The most suitable model for Indian rural development is a people centred strategy, akin to Gandhian model. Various approaches have been adopted in India by the government since Independence. Under these approaches, various programmes have also been undertaken to develop the areas of rural economy of India.

ii. Modern Approaches to Rural Development (Post-Independence Approach):

The approaches of rural development since Independence can be categorised as follows-

- **Multi-purpose Approach:** Multi-purpose approach is concern with all round development of rural areas. It includes activities related to agriculture, animal husbandry, co-operation, irrigation, village and small scale industries, health, sanitation, housing, transport and communication, welfare of women and rural employment. The multi-purpose approach was a significant approach, which laid the foundation stone for the upliftment of rural India. Community Development Programme is an example of multipurpose approach.



LET US KNOW

Community Development Programmes (CDP): This programme was started in 1952. It was a multi-purpose programme with the aim of overall development of rural people of India. This programme consisted of agriculture, animal husbandry, irrigation, public health, education, rural industries etc.

- **Sectoral Approach:** Sectoral approach is concerned with the intensive development of selected sectors of rural economy. Important programmes under the sectoral approach includes-

  Intensive Agriculture Development Programme (1960): In 1960, Intensive Agriculture Development Programme (IADP) and later in 1963 Intensive Agricultural Area Programme (IAAP) was launched. Both IADP and IAAP constituted landmarks in the development of agriculture, indeed of the rural sector in India. The programmes placed agriculture on a qualitatively different footing with wide ranging repercussions on rural scenario.

- **Target Group Approach:** This approach is concerned with the growth of rural area with social justice for promotion of weaker section. The target group comprised of marginal and small farmers, landless agricultural labourers etc. Important programmes under this approach are as follows-

  Small Farmers Development Agency (SFDA): This scheme was started in 1971-72 in selected districts. It was financed by central as well as state government and a provision of subsidy was made for the farmers from 25% (nontribal farmers) to 50% (tribal farmers). Main objectives were:

  a) To investigate and identify the problems of small farmers and ensure that various services reach to them.
  b) To ensure that the farmers secure loans from cooperative banks.
  c) To ensure that the farmers have access to other assistances such as cooperative banks, improved seeds, fertilizers and other inputs.

  Marginal Framers and Agricultural Labourers Development Agency (MAFALDA): Marginal Framers and Agricultural Labourers Development Agency (MAFALDA) was also established with SFDA to assist the marginal farmers and agricultural labourers in maximum productive use of their small holdings and skills by undertaking animal husbandry, horticulture etc.

- **Basic Needs Approach:** The basic needs approach gives primacy to the need for a minimum standard of living of the poor as a central concern of development planning. It therefore contributes to the formulation of a development strategy, which aims at reducing poverty and inequality, promoting growth of employment and distributive justice. The basic needs concept is a wider scope covering personal and social consumption and also human rights, people's participation, employment and growth with justice. Important programme under this approach is Minimum Needs Programme.

  Minimum Needs Programme: The Minimum Needs Programme (MNP) in India was introduced in 1974 during the first year of fifth plan period. The main components of MNP are: rural health, rural education, rural roads, rural drinking water, rural electrification, house sites for landless, environmental improvement in slums, and nutrition.

- **Employment-oriented Integrated Approach:** Main objectives of this approach are removal of unemployment, poverty through sectoral and area integration. This approach also aims at improving the standard of living of poor in the rural area. Some important programmes under this approach are as follows-

i) **The Integrated Rural Development Programme (IRDP):** Which was introduced in 1978-79 and universalized from 2nd October, 1980, aimed at providing assistance to the rural poor in the form of subsidy and bank credit for productive employment opportunities through successive plan periods.

ii) **Training Rural Youths for Self-Employment (TRYSEM), (1979):** This scheme was launched in 1979 to provide technical skills (training) to rural youths (between 18-35 years) living below the poverty line, to enable them to seek employment in fields of agriculture, industry, services and business activities.

iii) **Jawahar Rozgar Yojana, (1989):** The Jawahar Rozgar Yojana (JRY) was started with effect from April, 1, 1989. The main objective of the yojana was additional gainful employment for the unemployed and under-employed persons in rural areas. The other objective was the creation

of sustained employment by strengthening rural economic infrastructure and assets in favour of rural poor for their direct and continuing benefits.

iv) **Employment Assurance Scheme:** The Employment Assurance Scheme (EAS) was introduced on 2nd October, 1993 in the rural areas of 1778 blocks of 261 districts in which the Revamped Public Distribution System (RPDS) was in operation. In March, 1995 the scheme was further extended to 256 blocks out of which 233 blocks were flood prone in the States of Uttar Pradesh, Bihar, Assam and 23 blocks were of Jammu & Kashmir in view of the special conditions prevailing there. The primary objective of the Employment Assurance Scheme is to provide gainful employment during lean agricultural season in manual work to all able bodied adults in rural areas who are in need and desirous of work, but cannot find it.

v) **Sampoorna Gramin Rozgar Yojana (SGRY):** The scheme started from 1st September, 2001. The main objective of the scheme was the generation of wage employment, creation of durable economic infrastructure in rural areas and provision of food and nutrition security for the poor.

vi) **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) 2005:** The National Rural Employment Guarantee Act, (MNREGA) was notified on September 7, 2005. The objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

1.7 MAJOR FINANCIAL INSTITUTIONS FOR RURAL DEVELOPMENT IN INDIA

Rural banking institutions are playing a very important role for all-round development of rural areas of the country. These institutions play the important role in the expansion of rural institutional credit which contributes to the rural development. In order to support the rural banking sector in recent years, Regional Rural Banks (RRBs) and National Bank for Agriculture and Rural Development (NABARD) have been established in India.

Regional Rural Banks (RRBs): The Government of India set up Regional Rural Banks (RRBs) on October 2, 1975. Regional rural Banks plays a vital role in agriculture and rural development of India. The RRBS have more reached to the rural area of India, through their huge network. The success of rural credit in India largely depends on their financial strength. RRBs are key financing institution at the rural level which shoulders responsibility of meeting credit needs of different types of agriculture credit in rural areas

National Bank for Agriculture and Rural Development (NABARD): The National Bank for Agriculture and Rural Development (NABARD) was established in July, 1982. It is an apex body to coordinate the activities of all institutions which are involved in rural finance. NABARD provides refinance facility to state co-operative banks, commercial banks and regional rural banks which in turn provide credit to the farmers. The various functions of NABARD are Credit Functions, Developmental and Promotional Functions, Supervisory Functions, Institutional and Capacity Building etc. NABARD doesn't directly deal with the rural people but it grants assistance to the co-operative banks, commercial banks and Regional Rural Banks which give credit to the rural people. NABARD has also been playing a catalytic role in micro-credit through the channel of Self-Help Groups (SHGs).



CHECK YOUR PROGRESS

Q 1: Define rural development.

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.....

Q 2: Write two strategies of rural development.

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.....

1.8 SOME DILEMMAS OF DEVELOPMENT

The study of development includes a variety of dilemmas and

dogmas, such as rural versus urban development, agricultural versus industrial development, primacy of capital versus labour, and natural/ autonomous versus induced/planned development. We shall discuss these dilemmas now one by one.

1.8.1 Rural versus Urban Development

On one hand, there exists in the economy a small but highly modern and developed urban subsector, which absorbs most of the material, financial, and educated and talented manpower resources. On the other hand, there is a very large but traditional and underdeveloped rural subsector, characterized by widespread poverty, unemployment and low productivity, which forms the majority of the population. In most of the developing countries, both the subsectors coexist.

The economic development in developed economies has been associated with the growth of urbanisation. Economists may have a tendency to consider urbanisation as the index of economic development. At the other extreme, there is another dogma rapidly emerging in many developing countries that rural development is a prerequisite for overall development and, hence, it deserves the highest priority in terms of allocation of resources. In their enthusiasm to promote the cause of rural development, the proponents of this school of thought usually tend to either disregard or underplay the linkages between the rural and the urban subsectors of the economy. What is needed is a new approach to development, which explicitly recognizes the inter-linkages and complementarity between the rural and the urban subsectors, and provides for integrating them completely.

1.8.2 Agriculture versus Industrial Development

Some economists raise the argument that industrialisation alone can increase agricultural productivity resulting in

modernization of agriculture. Following this dogma, many developing countries have established highly capital-intensive and sophisticated industrial enterprises, similar to those in developed countries. Such efforts, however, have often led to bitter disappointment when the desired results failed to materialize. The contribution of such projects to development is negligible and sometimes even negative because they are built at the expense of enterprises and unable to meet the basic needs of people.

At the other extreme is agricultural development. In the initial stages of development when per capita incomes are low, agriculture alone can serve as an instrument of development and that increased agricultural productivity is a prerequisite to increased income and industrialization. The proponents of this dogma argue for allocation of more resources and attention to agriculture rather than to industry. They do not, however, realize that agriculture cannot develop alone and that the concomitant development of industry and supporting infrastructure is essential not only for the growth of the national economy but also for the advancement of agriculture itself. So, the establishment of small and less capital-intensive industrial enterprises in rural areas, along with introduction of new technology in agriculture is likely to establish linkages between agriculture and industry which is required for achieving economic development.

1.8.3 Capital versus Labour Dogma

Some economists from the developed countries consider capital to be the key instrument of development. The Harrod–Domar model of growth represents a typical example of this dogma. Harrod-Domar model of growth states that capital and labour cannot be substituted for each other and that if labour is in surplus supply, capital becomes the overriding constraint on economic growth. Capital based development aims at increasing savings, redistributing income from the workers to the capitalists, granting monopoly rights

to national and multinational corporations, transferring resources from the private to the public sector, increasing dependence on foreign aid and loans, and under-pricing of capital, particularly foreign exchange for capital goods. This development may result in a number of adverse effects such as under-pricing of foreign exchange for capital goods. Excessive focus on Capital disincentives development of labour-intensive technologies adapted to domestic needs and circumstances, resulting in the unemployment of labour and underutilization of other domestic resources.

Labour based development prefers to give more importance to labour rather than capital which can create more employment opportunities and due to the use labour intensive method of production which is less expensive. But to compete with developed countries an economy cannot be based fully on the labour based development. So, to attain proper development in an economy should interlink both the labour and capital based development.

1.8.4 Autonomous Versus Induced Development

Autonomous development is that development process which takes place naturally in any economy without the intervention of government. On the other hand induced development is that development which is induced by the government and it is the result of government intervention. Some development takes place naturally or autonomously over time due to activities of individuals pursuing their own interests, but its level and pace may not always be able to maintain a reasonably satisfactory standard of living of people. Due to this situation government intervention becomes important. Development planning is one of the forms of intervention that has been adopted in many developing countries of the world. In fact, even the advanced countries have come to realize the need for some sort of planning or government intervention in the economic processes. However, we need to realize that planning can make a positive contribution only if it facilitates the achievement of

development objectives more rapidly and more efficiently than if development followed the autonomous processes. It is now becoming increasingly apparent that the development effort cannot be left to the government alone. It must be shared by private, cooperative, corporate and other NGOs and agencies and, above all, by the people themselves. Planning by the government should complement and supplement the efforts of individuals and NGOs.



CHECK YOUR PROGRESS

Q 3: What are the dilemmas of development?

.....

.....

Q 4: What do you mean by capital-labour dogma in development?

.....

.....

Q 5: What is capital intensive technique of production?

.....

.....

Q 6: What is labour intensive technique of production?

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1.9 LET US SUM UP

- Rural development is a process of qualitative and quantitative changes to improve conditions in rural regions.
- Rural development is comprehensive and multidimensional.
- Rural development has close relationship with subjects like agriculture and allied sciences, social sciences, health sciences, engineering and management sciences.

- Main focus of rural development is on the rural poor.
- The development in any country has to face some dilemmas because of choice of problem with scarcity of wealth. The main dilemmas are rural versus urban development, agriculture versus industrial development, capital and labour dogma and autonomous versus induced development.



1.10 FURTHER READING

1) B.N. Ghosh and Rama Ghosh,(2017)'*Concise History of Economic Thought'.* Himalaya Publishing House.

2) H.L.Bhatia, (2011) *'History of Economic Thought',* Vikas publication.

3) P.K.Dhar, *Indaian Economy,* Kalyani Publications.

4) G. Datt and A. Mahajan, (2016) *Indian Economy,* S. Chand.



1.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Rural development may be defined as overall development of rural areas to improve the quality of life of rural people.

Ans to Q No 2: Two important strategies of rural development are -

- Provision of support to the farmers Groups, and Associations in order to build their capacity and supporting farmer unions.
- By adopting localized way of distributing agricultural products.

Ans to Q No 3: Some dilemmas of development facing by every economy are rural versus urban development, agricultural versus industrial development, primacy of capital versus labour, and natural/autonomous versus induced/planned development.

Ans to Q No 4: The capital-labour dogma means dilemma of giving more preference to any one of them for development. But in reality, both labour and capital are important for development purpose because neither labour nor capital can work alone for developing an economy.

Ans to Q No 5: Capital intensive technique is that which uses more capital comparatively in the production process.

Ans to Q No 6: Labour intensive technique is that which uses more labour comparatively in the production process.



1.12 MODEL QUESTIONS

Q 1 : Discuss the strategies for Rural Development in India.

Q 2 : Discuss the approaches to Rural Development in India.

Q 3 : Why Rural Development is inportant in India?

Q 4 : Write a short note on major financial institutions for Rural Development in India.

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UNIT 2 : RURAL ECONOMY OF INDIA

UNIT STRUCTURE

2.1 Learning Objective

2.2 Introduction

2.3 Introduction to Rural Economy

2.4 Size and Structure of Indian Rural Economy

2.5 Role and Importance of Rural Sector In india

2.6 Characteristics of Indian Rural Economy

2.7 Concept of Rural Backwardness

2.8 Causes of Rural Backwardness

2.9 Let Us Sum Up

2.10 Further Reading

2.11 Answers to Check Your Progress

2.12 Model Questions

2.1 LEARNING OBJECTIVES

After going through this unit, you will able to:

- know the size and structure of Indian rural economy
- discuss the Role and Importance of Rural Sector in India
- explain the Characteristics of Indian Rural Economy
- explain the Causes of rural backwardness.

2.2 INTRODUCTION

In the earlier unit we have discussed about basic concepts of Rural Development. In this unit we will discuss rural economy of India.

India is predominantly a rural country with two third populations and 70% workforce residing in rural areas. Rural economy constitutes 46 per cent of national income. Despite the rise of urbanisation more than half of India s population is projected to be rural by 2050. Thus growth and development of rural economy and population is a key to overall growth and inclusive development of the country. Traditionally, agriculture is the prime

sector of rural economy and rural employment. The transition in composition of output and occupation from agriculture to more productive non-farm sectors is considered as an important source of economic growth and transformation in rural and total economy. However, no serious attempt has been made to analyse and understand the transition in India's rural economy.

2.3 INTRODUCTION TO RURAL ECONOMY

Economic studies on rural India have focused mainly on changes in rural employment, by gender and at broad sectoral aggregation between agriculture and non agriculture. The present study examines long term changes in (i) sectoral composition of rural output and employment, (ii) their relationships and implications for output growth and employment and (iii) income inequalities across sectors and between rural and urban sectors. The findings of the study are used to suggest strategy for future development of Indias rural economy. The study analyses changes in rural economy and employment during the last forty years covering the period 1970-71 to 2011-12. Sector, and gender wise information on distribution of household members across economic activities and those not in workforces was taken from the Unit Level data available in various Quinquennium rounds of NSSO on Employment and Unemployment. Sector wise output data for the corresponding years was taken from the National Accounts Statistics of CSO. The study highlights the profound changes experienced by Indias rural economy which have not been reckoned. Contrary to the common perception about predominance of agriculture in rural economy, about two third of rural income is now generated in non agricultural activities. Similarly, it looks amazing to find that more than half of the value added in manufacturing sector in India is contributed by rural areas. However, the impressive growth of non agricultural sector in rural India has not brought significant employment gains or reduction in disparity in worker productivity. This underlines the need for a new approach to direct the transition of rural economy

The Rural Economy in India is wholly agriculture based and it is of tremendous importance because it has vital supply and demand links with the other Indian industries. Agriculture is the main stay of the Indian economy, as it constitutes the backbone of rural India which inhabitants more than 70% of total Indian population. The fertility of the soil has augmented the success of agriculture in India. Further, Rural Economy in India has been playing an important role towards the overall economic growth and social growth of India. India has been predominantly an agriculture-based country and it was the only source of livelihood in ancient time. During prehistoric time when there was no currency system the India economy system followed barter system for trading i.e. the excess of agricultural produce were exchanged against other items. The agriculture produce and system in India are varied and thus offers a wide agricultural product portfolio. Today, the rural economy in India and its subsequent productivity growth is predicated to a large extent upon the development of its 700-million strong rural population. The agricultural economy of India is drafted according to the needs of rural India since majority of the population lives in about 600,000 small villages. In India, agriculture accounts for almost 19% of Indian gross domestic products (GDP). The rural section of Indian population is primarily engaged with agriculture, directly or indirectly. The Ministry of Agriculture, the Ministry of Rural Infrastructure, and the Planning Commission of India are the main governing bodies that formulate and implements the policy related to rural economy in India and its subsequent development for the overall growth of the Indian economy.

The main agricultural products that controls the fate of the Rural Economy in India are as follows -

- **Food Grains -** Rice, Wheat, Pulses, Cereals, Corn, Maize, Rice Bran Extractions, Sorghum, Soy meal, Suji, Parmal, Lentils, Jowar, Bajra, Chick pea.
- **Fruits and Nuts -** Cashew Kernels, Cashew Nut, Cashews, Almonds, Roasted Dry Fruits, Peanuts, Groundnut, Walnut Kernels, Walnuts, Indian Peanuts, HPS Groundnuts.

- **Fruits -** Bananas, Beans, Cherry, Cucumbers, Dried Fruits, Dried Truffles, Carrots, Lemon, Mandarins, Mango steens, Meslin, Shallots, Apples, Asparagus, Grapes, Oranges, Gherkins, Turnips, Oranges, Papaya, Pineapple.
- **Vegetables –** Potatoes, Bitter gourd, Stripe Gourd, Pumpkin, cauliflower, Cabbage, Tomato, Onion, Green Pepper, Drum Sticks, Lady's finger, Banana, Papaya, Spinach, Cucumber, Mushroom, Mushroom Spawn, Radiata.
- **Seeds, Buds, Plantation and Related Products -** Basil Seed, Cumin seeds, Dill Seed, Buds, Celery Seed, Hybrid Seeds, Sesame Seeds, Sesbania Seed, Sunflower Seeds, Mustard Seeds, Oil Seeds, Plant Products, Plantation, Plants, Psyllium Seed, Fennel Seed, Fenugreek Seed, Herb Seeds, Tamarind Seed, Vegetable Seeds.
- **Spices -** Black Pepper, Chilli Powder, Chillies, Cinnamon, Cloves, Coriander Powder, Cumin, Curry Powders, Dry Ginger, Dry Red Chilly, Cardamom, Anise, Salt, Onion Powder, Pepper, Fenugreek, Clove, Ginger, Turmeric, Turmeric Powder.
- **Tea and Coffee -** Black Tea, Coffee, Coffee Beans, Darjeeling Teas, Assam Teas, Instant Coffee, Leaf Coffee, Leaf Tea, Packaged Tea, Green Tea, CTC Teas.
- **Tobacco and Tobacco Products -** Beedi, Betel nut Leaves, Betel nut, Bidi Leaves, Chewing Tobacco, Cigarettes, Arecanut, Jarda, Scented Tobacco, Smoking Tobbacco, Snuff, Opium, Pan, Chatni, Pan Masala, Gutkazarda, Zafrani Zarda.
- Cotton, Rubber, Jute etc..

2.4 SIZE AND STRUCTURE OF INDIAN RURAL ECONOMY

The contribution of the rural areas in economy of India for the period 1970-71 to 2011-12 is seen from its share in national output and employment1 (Table 2.1). The rural areas engaged 84.1 per cent of the total workforce and produced 62.4 per cent of the total net domestic product

(NDP) in 1970-71. Subsequently, rural share in the national income declined sharply till 1999-00. Rural share in total employment also witnessed a decline but its pace did not match with the changes in its share in national output or income. The declining contribution of rural areas in national output without a commensurate reduction in its share in employment implies that a major portion of the overall economic growth in the country came from the capital-intensive sectors in urban areas without generating significant employment during the period under consideration. Notwithstanding, the difference between the rural share in output and employment increased from 22 percentage points in 1970-71 to 28 percentage points in 1999-00.

Table 2.1. Share of rural areas in total NDP and workforce

Year	Economy	Workforce
1970-71	62.4	84.1
1980-81	58.9	80.8
1993-94	54.3	77.8
1999-00	48.1	76.1
2004-05	48.1	74.6
2011-12	46.9	70.9

After 1999-00, growth rate of rural economy picked up the pace and reached at par with the growth rate of urban economy. This led to stabilization in rural contribution in total NDP at around 48 per cent. The rural share in national NDP dropped slightly during 2004-05 to 2011- 12 despite acceleration in growth rate. On the other hand, the rural share in total workforce declined steadily from 76.1 per cent in 1999-00 to 70.9 per cent in 2011-12. Due to faster reduction in the rural share in total employment than in national NDP, difference between the rural share in output and employment narrowed down to 24 per cent by the year 2011-12. These evidences show that urban economy overtook rural economy in terms of output but urban employment is less than half of the rural employment. This has serious implications such as wide disparity in worker productivity

between rural and urban areas. 2.1 Rural Share in Output and Employment Across Sectors The sector-wise disaggregation shows significant changes in the contribution of rural areas in the national economy. Besides producing almost all agricultural produce, rural areas contributed around one third of non-farm output and 48.7 per cent of non-farm employment in the country (Table 2.2). The contribution of rural areas in different sectors of non-farm economy revealed large variation and interesting patterns.

Table 2.2. Share of rural areas in total NDP and workforce across different sectors (per cent)

Year	Agriculture		Manufacturing		Construction		Services		Non-agri.	
	NDP	Emp.	NDP	Emp.	NDP	Emp.	NDP	Emp.	NDP	Emp.
1970-71	96.2	96.8	25.8	51.5	43.2	64.6	32.8	42.1	32.4	47.3
1980-81	94.9	95.9	31.8	48.1	45.6	58.8	34.0	41.7	35.0	44.9
1993-94	93.9	95.8	29.8	51.3	45.1	57.2	33.6	42.3	34.8	46.6
1999-00	93.2	96.6	41.6	51.5	43.3	57.6	27.1	40.7	31.8	45.8
2004-05	94.1	96.1	42.5	49.6	45.5	64.4	32.7	41.9	36.7	47.2
2011-12	95.1	95.9	51.3	47.4	48.7	74.6	25.9	39.6	35.3	48.7

Note: Emp.: Employment, Non-agri. Includes manufacturing, construction, services and other sectors

The most striking change in rural share was observed in the case of manufacturing sector. Between 1970-71 and 2011-12, the share of rural areas in output of manufacturing sector doubled and exceeded the manufacturing production in urban areas. Rural areas contributed 51.3 per cent of manufactured output in year 2011-12. However, this sharp increase in the rural share in output did not fetch any increase in rural share in employment in manufacturing sector. On the contrary, rural share in total manufacturing employment in the country declined by 4.1 percentage points during the forty years ending with 2011-12. Clearly, manufacturing sector was shifting to rural areas but without commensurate increase in the employment. In the same period, the share of rural areas in construction sector output increased by 5.5 percentage points, while employment share increased by 10.0 percentage points. In case of 5 services sector, rural areas lost to urban areas in a big way after 2004-05 and accounted for 25.9 per cent of services output in the country in the year 2011-12. These changes indicate that rural employment has risen at a much faster rate in relatively low paid construction activities.

Structural Changes in Output and Employment in Rural India During the four decades from 1970-71 to 2011-12, India's rural economy expanded

from Rs. 229 billion to Rs. 34167 billion at current prices and from Rs. 3199 billon to Rs. 21107 billion at 2004-05 prices. In the same period, employment expanded from 191 million to 336 million. Thus, despite almost seven times increase in output in rural India the employment could not even double in a long period of four decades. The growth rates in output and employment show large variations across sectors and over different period, which is very useful in understanding the transition in rural economy in the country. The sector-wise growth rate in NDP and employment during three sub periods viz. 1970-71 to 1993-94 (termed as pre-reform period), 1993-94 to 2004-05 (termed as post reform period) and 2004-05 to 2011-12 (termed as period of economic acceleration) are presented in Table 3.1 and sectoral composition is presented in Table 3.2

Table 3.2. Growth rates in rural (NDP) (at 2004-05 prices) and rural employment (percent)

Period	Agriculture	Manufacturing	Construction	Services	Non-agriculture	Total
Net Domestic Product (at constant prices)						
1971-94	2.57	5.18	3.94	6.10	5.70	3.72
1994-05	1.87	8.38	7.92	8.55	7.93	5.06
2005-12	4.27	15.87	11.49	3.48	9.21	7.45
Employment (usual status)						
1973-94	1.72	3.55	4.82	4.51	4.22	2.16
1994-05	0.74	2.79	8.32	3.25	3.70	1.45
2005-12	-2.04	0.67	12.09	1.35	3.65	-0.28

The period 1970-71 to 1993-94 witnessed 2.57 per cent annual growth in the NDP of agriculture sector as compared to 5.70 per cent annual growth in non-farm sectors (Table 3.1). As a consequence, the share of agriculture in the rural NDP declined from 72.4 per cent to 57 per cent by the year 1993-94 (Table 3.2). Among the non-farm sectors, manufacturing, construction and services sectors experienced 5.18, 3.94 and 6.10 per cent annual growth, and their share in rural NDP increased by 2, 2 and 10 percentage points during the pre-reforms period, respectively. 7 During the post-reform period (1993-94 and 2004-05), growth in agricultural sector decelerated to 1.87 per cent, whereas growth rate in non-farm economy

accelerated to 7.93 per cent. The effect of slowdown in agriculture on rural economy was offset by significantly higher growth in non-farm sectors, which accelerated growth rate in rural economy to above 5 per cent as compared to 3.72 during the pre-reforms period. These changes further reduced the share of agriculture in rural economy from 57 per cent in 1993-94 to 39 per cent in 2004- 05. Thus, rural economy became more non-agricultural than agricultural by the year 2004-05. Among the non-farm sectors, services, manufacturing and construction sectors constituted 37.3, 11.5 and 7.8 per cent share in rural output in 2004-05, respectively (Table 3.2).

Table 3.2. Sectoral share in NDP and employment in rural areas: 1970 to 2012

Year	Agriculture	Manufacturing	Construction	Services
Share in rural NDP (at current prices)				
1970-71	72.4	5.9	3.5	17.1
1980-81	64.4	9.2	4.1	20.6
1993-94	57.0	8.2	4.6	26.8
1999-00	51.4	11.1	5.6	28.6
2004-05	38.9	11.5	7.8	37.3
2011-12	39.2	18.4	10.5	27.0
Share in rural employment				
1972-73	85.5	5.3	1.4	7.3
1983	83.6	6.2	1.3	8.8
1993-94	78.4	7.0	2.4	11.4
1999-00	76.3	7.4	3.3	12.5
2004-05	72.6	8.1	4.9	13.9
2011-12	64.1	8.6	10.7	15.5

Note: Shares do not sum up to 100 due to exclusion of some minor sectors.

During the period 2004-05 to 2011-12, agriculture sector witnessed revival and registered impressive annual growth rate of 4.27 per cent. Similarly, non-farm sectors growth accelerated to 9.21 per cent. Based on acceleration in growth in agriculture as well as nonfarm sectors, this period is termed as the “period of economic acceleration”. Annual growth in the overall rural economy during this period was 7.45 per cent. It is worth pointing that the period 2004-05 to 2011-12 witnessed much higher increase in agricultural prices compared to non-agricultural prices and growth rate in agriculture and non-farm sectors at current prices was almost the same. Therefore, the share of agriculture in rural NDP at current prices did not decline further and stood at marginally higher level of 39.2 per cent in 2011-12 over the year 2004-05. 8 Within non-farm sectors the growth in services

sector output decelerated to 3.48 per cent after 2004-05 as compared to 8.55 per cent growth during the preceding decade. On the other hand, manufacturing and construction sectors witnessed impressive growth of 15.87 and 11.49 per cent, respectively between 2004-05 and 2011-12. Consequently, in these seven years the share of services sector declined from 37.3 to 27.0 per cent whereas the share of manufacturing in rural economy increased from 11.4 to 18.4 per cent and construction sector share increased from 7.8 to 10.5 per cent. Growth pattern in various sectors reveal sizable diversification of the rural economy towards non-farm sectors. From economic development point of view, similar trend and pattern should be reflected in the employment. This was examined from employment data in successive NSS rounds corresponding to the years for which data on rural-urban distribution of national income was available. 2 A perusal of Table 3.1 shows that rural employment and output followed different growth patterns. Rural employment showed 2.16 per cent annual growth rate during the pre-reform period, which decelerated in the post-reform period to 1.45% and turned negative (-0.28%) in the period of economic acceleration. The output growth rate in the same sub-periods accelerated. Thus, employment increased at a much lower rate compared to output and it even declined in the wake of high growth in output post 2004-05. The main reason for sluggish growth followed by negative growth in rural employment is that non-farm rural sectors could not absorb the labour-force leaving agriculture. The results presented in Table 3.1 also imply that employment elasticity in rural areas declined over time and has reached the negative range after 2004-05. The employment insensitive growth raises serious concerns over the capacity of the rural economy to provide productive jobs to the rising population and workforce moving out of agriculture. Among non-farm sectors, deceleration in employment growth was experienced in manufacturing and services sector; but construction sector witnessed sharp acceleration in employment expansion with the passage of time.

2.5 ROLE AND IMPORTANCE OF RURAL SECTOR IN INDIA

In this section we will discuss the role and importance of rural sector in India-

1. **Contribution to National Income: :** The lessons drawn from the economic history of many advanced countries tell us that agricultural prosperity contributed considerably in fostering economic advancement. It is correctly observed that, "The leading industrialized countries of today were once predominantly agricultural while the developing economies still have the dominance of agriculture and it largely contributes to the national income. In India, still 28% of national income comes from this sector.

2. **Source of Food Supply:** Agriculture is the basic source of food supply of all the countries of the world—whether underdeveloped, developing or even developed. Due to heavy pressure of population in underdeveloped and developing countries and its rapid increase, the demand for food is increasing at a fast rate. If agriculture fails to meet the rising demand of food products, it is found to affect adversely the growth rate of the economy. Raising supply of food by agricultural sector has, therefore, great importance for economic growth of a country.

   Increase in demand for food in an economy is determined by the following equation:

   $D = P + 2g$

   Here,

   D stands for Annual Rate of Growth in demand for food.

   P stands for Population Growth Rate

   g stands for Rate of Increase in per Capita Income.

   2 stand for Income Elasticity of Demand for Agricultural Products.

3. **Pre-Requisite for Raw Material:** Agricultural advancement is necessary for improving the supply of raw materials for the agro-based industries especially in developing countries. The shortage of

agricultural goods has its impact upon on industrial production and a consequent increase in the general price level. It will impede the growth of the country's economy. The flour mills, rice shellers, oil & dal mills, bread, meat, milk products sugar factories, wineries, jute mills, textile mills and numerous other industries are based on agricultural products.

4. **Creation of Infrastructure:** The development of agriculture requires roads, market yards, storage, transportation railways, postal services and many others for an infrastructure creating demand for industrial products and the development of commercial sector.
5. **Relief from Shortage of Capital:** The development of agricultural sector has minimized the burden of several developed countries who were facing the shortage of foreign capital. If foreign capital is available with the 'strings' attached to it, it will create another significant problem. Agriculture sector requires less capital for its development thus it minimizes growth problem of foreign capital.
6. **Helpful to Reduce Inequality:** In a country which is predominantly agricultural and overpopulated, there is greater inequality of income between the rural and urban areas of the country. To reduce this inequality of income, it is necessary to accord higher priority to agriculture. The prosperity of agriculture would raise the income of the majority of the rural population and thus the disparity in income may be reduced to a certain extent.
7. **Based on Democratic Notions:** If the agricultural sector does not grow at a faster rate, it may result in the growing discontentment amongst the masses which is never healthy for the smooth running of democratic governments. For economic development, it is necessary to minimize political as well as social tensions. In case the majority of the people have to be kindled with the hopes of prosperity, this can be attained with the help of agricultural progress. Thus development of agriculture sector is also relevant on political and social grounds.
8. **Create Effective Demand:** The development of agricultural sector would tend to increase the purchasing power of agriculturists which

will help the growth of the non-agricultural sector of the country. It will provide a market for increased production. In underdeveloped countries, it is well known that the majority of people depend upon agriculture and it is they who must be able to afford to consume the goods produced.

Therefore, it will be helpful in stimulating the growth of the non-agricultural sector. Similarly improvement in the productivity of cash crops may pave the way for the promotion of exchange economy which may help the growth of non-agricultural sector. Purchase of industrial products such as pesticides, farm machinery etc. also provide boost to industrial dead out.

9. **Contribution to Capital Formation:** Underdeveloped and developing countries need huge amount of capital for its economic development. In the initial stages of economic development, it is agriculture that constitutes a significant source of capital formation.

   Agriculture sector provides funds for capital formation in many ways as:

   (i) agricultural taxation,

   (ii) export of agricultural products,

   (iii) collection of agricultural products at low prices by the government and selling it at higher prices. This method is adopted by Russia and China,

   (iv) labour in disguised unemployment, largely confined to agriculture, is viewed as a source of investible surplus,

   (v) transfer of labour and capital from farm to non-farm activities etc.

10. **Employment Opportunities for Rural People:** Agriculture provides employment opportunities for rural people on a large scale in underdeveloped and developing countries. It is an important source of livelihood. Generally, landless workers and marginal farmers are engaged in non-agricultural jobs like handicrafts, furniture, textiles,

leather, metal work, processing industries, and in other service sectors. These rural units fulfill merely local demands. In India about 70.6% of total labour force depends upon agriculture.

11. **Extension of Market for Industrial Output:** As a result of agricultural progress, there will be extension of market for industrial products. Increase in agricultural productivity leads to increase in the income of rural population which is turn leads to more demand for industrial products, thus development of industrial sector.

According to Dr. Bright Singh, "Increase in agricultural production and the rise in the per-capita income of the rural community, together with the industrialisation and urbanisation, lead to an increased demand in industrial production." In this way, agricultural sector helps promote economic growth by securing as a supplement to industrial sector.



CHECK YOUR PROGRESS

Q 1: What is Rural Economy?

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Q 2: Mention some of the main agricultural products of Indian Rural Economy.

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Q 3: Discuss the size and structure of Indian rural economy.

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Q 4: Discuss the roles and importance of rural sector in India.

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2.6 CHARACTERISTICS OF INDIAN RURAL ECONOMY

Some of the characteristics of Indian rural economy are as follows:

i. Commercialization of Agriculture:

In the present days, a large part of rural economy has been opened up, which has made commercialization of agricul-ture possible. The extent of commercialization of agriculture in rural economy marks the stage of its development.

The major factors contributed to the com-mercialization of agriculture are as follows:

a. High production and productivity gains have turned out agriculture to be a profitable proposition.

b. Increase in production was possible due to the use of advanced technology in agricultural operations.

c. Massive expansion of road transport has reduced the distance between ru-ral and urban areas.

d. Development of regulated markets and cooperative marketing structure have helped the farmers to break away from village system of moneylend-ers and middlemen.

ii. Rural Society under the Impact of Urbanism:

The past five decades has wit-nessed the rural society of India in getting exposed to the waves of urbanism. Most of the features of urban areas have been modified and diluted into the rural society. This has led to a new way of urbanism called rural-urbanism.

Ur-banism has induced the disintegration of traditional joint family, disappearance of neighbourhood, sophistication, emergence of individualism, etc. Urbanism also created new social institutions, which were absent in the traditional rural set up. Urbanism has also brought about modernization.

Contacts between the rural and urban areas have been increased due to the development of the means of transportation. Similarly, the means of communication such as radio, tran-sistor, television and telephones have

brought the remote villages nearer to the urban towns. Increase in the contacts between the rural and urban areas has enabled a quick assimilation of rural areas with the mainstream of urban life.

Earlier, the demand of rural India to the industrial goods was limited only to the basic necessities However, the situation has changed now. Today, rural India is seen as the potential market to the industrial goods. Observing such a situation, many industries have been flourished in rural areas, which are rich in the resources needed for the setting up of industries.

Two reasons can be at-tributed to such a situation. Firstly, contacts with the urban areas have created awareness among the rural masses about consumer goods. Due to green revo-lution, the income levels of the rural people have increased, which encourages such consumption of goods possible.

Secondly, the new agricultural technol-ogy has resulted in the green revolution. It supplies the industrial goods such as fertilizers, machinery, etc. There is also an increasing demand for the repair services and workshops, which is inevitable, when there is a supply of indus-trial goods. Thus, the above mentioned reasons have created an increasing demand for industrial manufacturers in rural India.

iii. Institutional Participation:

After independence, the state had taken the responsibility of rural reconstruction and development. It had brought about important changes in the production relations. Abolition of intermediaries, security of tenancy, ceiling on holdings, etc., were some of the important leg-islations made, which improved the relations of production. A number of rural development programmes were taken up. These programmes also con-tributed in bringing about modernization in villages.

2.7 CONCEPT OF RURAL BACKWARDNESS

Rural backwardness refers to poverty in rural areas, including factors of rural society, rural economy, and political systems that give rise to the poverty found there. Rural backwardness is often discussed in conjunction

with spatial inequality, which in this context refers to the inequality between urban and rural areas. Both rural backwardness and spatial inequality are global phenomena, but like poverty in general, there are higher rates of rural poverty in developing countries than in developed countries. Eradicating rural backwardness through effective policies and economic growth remains a challenge for the international community

2.8 CAUSES OF RURAL BACKWARDNESS

1. **Climatic factors:** Climatic conditions constitute an important cause of rural backwardness. The hot climate of India reduces the capacity of people especially the ruralites to work for which production severely suffers. Frequent flood, famine, earthquake and cyclone cause heavy damage to agriculture. Moreover, absence of timely rain, excessive or deficient rain affect severely country's agricultural production.
2. **Demographic factors:** The following demographic factors are accountable for rural backwardness in India.
   - (i) **Rapid growth of population:** Rapid growth of population aggravates the rural backwardness of the people. The growth of population exceeds the rate of growth in national income. Population growth not only creates difficulties in the removal of poverty but also lowers the per capita income which tends to increase poverty. The burden of this reduction in per capita income is borne heavily by the poor people. Population growth at a faster rate increases labour supply which tends to lower the wage rate.
   - (ii) **Size of family:** Size of the family has significant bearing on rural poverty. The larger the size of family, the lower is the per capita income, and the lower is the standard of living. The persistence of the joint family system has contributed to the health and earning capacity of the ruralites.
3. **Personal causes:**
   - (i) **Lack of motivation:** Lack of motivation is an important cause

of rural backwardness. Some ruralites do not have a motive to work hard or even to earn something. This accounts for the poverty of the ruralites.

(ii) Idleness: Most of the rural people are lazy, dull and reluctant to work. Hence they rot in poverty.

4. Economic causes:

(i) Low agricultural productivity: Poverty and real income are very much interrelated. Increase in real income leads to reduction of the magnitude of poverty. So far as agricultural sector is concerned, the farmers even today are following the traditional method of cultivation. Hence there is low agricultural productivity resulting in rural poverty.

(**ii) Unequal distribution of land and other assets:** Land and other forms of assets constitute sources of income for the ruralites. But, unfortunately, there has been unequal distribution of land and other assets in our economy. The size-wise distribution of operational holdings indicates a very high degree of concentration in the hands of a few farmers leading to poverty of many in the rural sector.

(iii) Decline of village industries: At present consequent upon industrialization new factories and industries are being set up in rural areas. Village industries fail to compete with them in terms of quality and price. As a result they are closed down. The workers are thrown out of employment and lead a life of poverty.

(iv) Immobility of labour: Immobility of labour also accounts, for rural poverty. Even if higher wages are offered, labourers are not willing to leave their homes. The joint family system makes people lethargic and stay-at-home.

The ruralites are mostly illiterate, ignorant, conservative, superstitious and fatalistic. Poverty is considered as god-given, something pre-ordained. All these factors lead to abysmal poverty in rural India.

(v) Lack of employment opportunities: Unemployment is the reflection of poverty. Because of lack of employment opportunities, people remain either unemployed or underemployed. Most of these unemployed and underemployed workers are the small and marginal farmers and the landless agricultural labourers.

5. Social causes:

(**i**) **Education:** Education is an agent of social change and egalitarianism. Poverty is also said to be closely related to the levels of schooling and these two have a circular relationship. The earning power is endowed in the individual by investment in education and training. But this investment in people takes away money and lack of human investment contributes to the low earning capacity of individuals.

In this way people are poor because they have little investment in themselves and poor people do not have the funds for human capital investment.

(ii) Caste system: Caste system in India has always been responsible for rural poverty. The subordination of the low caste people by the high caste people caused the poverty of the former. Due to rigid caste system, the low caste people could not participate in the game of economic progress.

A Shudra was not allowed to become a trader and a Vaisya could earn his bread only by trade.

Birth would decide their occupation and their economic fate. K. V. Verghese rightly observes, “Caste system acted as a spring-board for class exploitation with the result that the counterpart of the poverty of the many is the opulence of the few. The second is the cause of the first.”

(**iii**) **Joint family system:** The joint family system provides social security to its members. Some people take undue advantage of it. They live upon the income of others. They become idlers. Their normal routine of life consists in eating, sleeping and

begetting children.

In this way poverty gets aggravated through joint family system.

(**iv**) **Social customs:** The ruralites spend a large percentage of annual earnings on social ceremonies like marriage, death feast etc. As a result, they remain in debt and poverty.

(v) **Growing indebtedness:** In the rural sector most of the ruralites depend on borrowings from the money-lenders and land-lords to meet even their consumption expenses. Moneylenders, however, exploit the poor by charging exorbitant rates of interest and by acquiring the mortgaged land in the event of non-payment of loans.

Indebted poor farmers cannot make themselves free from the clutches of moneylenders. Their poverty is further accentuated because of indebtedness. Such indebted families continue to remain under the poverty line for generations because of this debt-trap.



2.9 LET US SUM UP

- India is known as an agricultural country, as most of the population of villages depends on agriculture. Agriculture forms the backbone of the country's economy. The agricul-tural sector contributes most to the overall economic development of the country.
- For centuries together, the Indian village has been a self-sufficient and self-contained econ-omy. During the past forty years, rural reconstruction and development have been the major thrust of economic planning, which has caused a rapid transformation in the Indian rural economic structure.
- These changes have taken place in spheres, such as land reforms, agriculture, animal husbandry, supplies and marketing, village industries, rural leadership, village administration, etc. With the help of the rural development pro-grammes, a cultivator is able to take

advantage of the modern technological facilities in his agricultural operations. These cultivators are now using modern agricultural implements and high-yielding varieties of seeds and fertilizers.

- Several other welfare services were introduced, such as opening up of schools, primary healthcare centres, improving the means of transport and communication, and spread of mass media services to rural areas, etc. These welfare services have materially affected the rural life.
- Rural backwardness refers to poverty in rural areas, including factors of rural society, rural economy, and political systems that give rise to the poverty found there
- Climatic,demographic,personal,economic and social factors are responsible for rural backwardness.



2.10 FURTHER READING

1) B.N. Ghosh and Rama Ghosh,(2017)'*Concise History of Economic Thought'.* Himalaya Publishing House.
2) H.L.Bhatia, (2011) *'History of Economic Thought',* Vikas publication.
3) P.K.Dhar, *Indaian Economy,* Kalyani Publications.
4) G. Datt and A. Mahajan, (2016) *Indian Economy,* S. Chand.



2.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Rural Economy of India is the Economy of the rural sector which mainly includes agriculture.

Ans to Q No 2: Food Grains - Rice, Wheat, Pulses, Cereals, Corn, Maize, Rice Bran Extractions, Sorghum, Soy meal, Suji, Parmal, Lentils, Jowar, Bajra, Chick pea.

Nuts - Cashew Kernels, Cashew Nut, Cashews, Almonds, Roasted Dry Fruits, Peanuts, Groundnut, Walnut Kernels, Walnuts, Indian

Peanuts, HPS Groundnuts.

Fruits - Bananas, Beans, Cherry, Cucumbers, Dried Fruits, Dried Truffles, Carrots, Lemon, Mandarins, Mango steens, Meslin, Shallots, Apples, Asparagus, Grapes, Oranges, Gherkins, Turnips, Oranges, Papaya, Pineapple. etc

Ans to Q No 3: Refer the size and structure of Indian Rural economy given in the unit.

Ans to Q No 4:

1. Contribution to National Income:

The lessons drawn from the economic history of many advanced countries tell us that agricultural prosperity contributed considerably in fostering economic advancement

2. Source of Food Supply:

Agriculture is the basic source of food supply of all the countries of the world—whether underdeveloped, developing or even developed.

3. Pre-Requisite for Raw Material:

Agricultural advancement is necessary for improving the supply of raw materials for the agro-based industries especially in developing countries. The shortage of agricultural goods has its impact upon on industrial production and a consequent increase in the general price level.



2.12 MODEL QUESTIONS

Q 1: Discuss the characteristics of Indian Rural Economy.

Q 2: Discuss the causes of Rural backwardness.

Q 3: Discuss the role and importance of rural sector in India.

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UNIT 3 : APPROACHES TO RURAL DEVELOPMENT

UNIT STRUCTURE

3.1 Learning objective

3.2 Introduction

3.3 Meaning and Characteristics of community development

3.4 Programmes undertaken under community development

3.5 Gandhian Approach to rural Development

3.6 Various principles of rural development according to Mahatma Gandhi

3.7 Issues in Rural Development

3.8 Suggestions for Rural Development in India

3.9 Meaning of Urban development

3.10 Causes of urbanization in India

3.11 Problems and issues related to urban employment

3.12 Let Us Sum Up

3.13 Further Readings

3.14 Answers To Check Your Progress

4.15 Model Questions

3.1 LEARNING OBJECTIVES

After going through this unit, you will be able to-

- explain the meaning of community development
- state the characteristics of community development
- explain the programmes undertaken under community development
- explain the Gandhian Approach to rural Development
- explain the various principles of rural development according to Mahatma Gandhi
- state the meaning and issues of rural development
- give the suggestions for Rural Development in India
- meaning and causes of urban development
- problems and issues related to urban employment.

3.2 INTRODUCTION

In the earlier unit we have discussed rural economy.In this unit we will discuss different approaches to rural development like community development, rural development, urban development etc.

3.3 CHARACTERISTICS OF COMMUNITY DEVELOPMENT

Community development involves a continuous process where members of a community come together and take collective action in order to generate solutions to common problems. Community wellbeing can be of any form like economic, social, environmental and cultural. Community development takes into account small initiatives within a small group to large initiatives involving a large or broader community.

The basic characteristic of effective community development is that it should be a well-planned long term process which is initiated and processed by the community members and which brings development and change in the society.

Community development being a grassroots process brings a positive impact in the communities concerned. They become more responsible and as they organise and plan together they empower themselves. This in turn reduces poverty and thus creates employment opportunities and helps in achievingsocial, economic, cultural and environmental goals.



CHECK YOUR PROGRESS

Q 1: Define Community Development.

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Q 2: Mention two characteristics of community development?

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3.4 PROGRAMMES OF COMMUNITY DEVELOPMENT

The Community Development Project covers a large number of programmes to bring about the changes in the rural community.

These programmes include**:**

1. **Development of Agriculture:** Community development aims at development of the agricultural sector. These includeproviding improved seeds to the farmers as well as better irrigation facilities. Also, various other needs of the farmers are taken care of. It is only through the improvement in the agricultural sector that the overall condition of the people in the rural society can improve.
2. **Development of Communication:** construction of new roads and improving transport and com-munication facilities is another aim of community development project. This results in improvement in the rural condition and can easily move from one place to another with the improvement in means of communication and transport in rural areas.
3. **Development of Education:** The Right to Education Act ensures free and compulsory education to all children within the age group of 6 to 14. As such various centres for imparting education have been implemented. Also, libraries and reading rooms are set up for the purpose.
4. **Development of Health Services:** Community Development Project aims at providing health services in order to improve the standard of the people living in the rural areas. Facilities of medical and health services are provided along with maternity and child welfare ser-vices
5. **Employment Facilities:** Un-employment and underemployment are a basic characteristic of the rural societies. Agriculture being the only means of livelihood is subjected to seasonal factors. Thus small scale and cottage industries are set up under community development programme so that they can be self-reliant.
6. **Housing Facilities:** Provision of better housing facilities is another

aim of the community development programmes. This is because people in rural areas are not hygienic andlack basic facilities.

7. **Social Welfare Activities:** Social welfare activities which aim at providing better facilities for recreation, women's education have also been under the provision of Community Development Project.

3.5 GANDHIAN APPROACH TO RURAL DEVELOPMENT

Mahatma Gandhi mentioned that "India lives in her seven and half lakhs of villages". He had a holistic approach to India's rural development. He further believed that "If village perishes, India will perish too". Gandhi focussed on truth, non-violence, moral and spiritual values. Rural development aims at development of the rural sector by improving the rural economy specially the agriculture and allied industries and also by improving the skills by putting emphasis on cottage and small scale industries.

The main focus lies in creating employment generation in the rural economies which in turn will help them to raise their standard of living. Mahatma Gandhi had an idealistic approach towards rural economy. Gandhiji's idea of an ideal social order was the concept of 'Rama Rajya'. Rama Rajya according to Gandhi is the sovereignty of the people which depends on moral authority. Rama was not viewed as a king, and people as his subjects. 'Rama' was believed to be God or a person's own 'inner voice'according to the Gandhian approach. Gandhi believed in a social orderwhich is democratic in nature where people are supreme and thissupremacy is based on moral values.

3.6 VARIOUS PRINCIPLES OF RURAL DEVELOPMENT ACCORDING TO MAHATMA GANDHI

The Gandhian approach of rural economy was based on the principles of trusteeship, swadeshi, full employment, bread labour, self-sufficiency, decentralisation, equality, etc. Thus Gandhi's idea of an ideal village was a comprehensive one which encompasses the different dimensions such as economic, social, political and educational which helps

in thecreation of an ideal village. Gandhiji gave in every aspect of human life the main emphasis was on truth and non-violence.

1. **Ideal Village:** The main focus of the Gandhian ideal social order was the village. An ideal village according to Gandhi belongs to the foreign domination of the Pre-British period. Here the villages of India were part of the federation which consists of self-governing autonomous republics.

   According to Gandhiji, every village voluntarily wishes to be a part of the federation. The central authority will coordinate the work of different village republics and to supervise the various activities like education, basic industries, health, currency, banking etc will be supervised by the central authority.

   The decisions of the central authoritycannot be enforced on village republics. However the "republican' character of the villages were destroyed by the transport and economic structure initiated by the British.

   It was observed by Gandhi that the feudal chiefspractised tyranny and oppression in ancient times. But, in the purview of theGandhian approach an Indian village without tyranny and exploitation, the ancient 'republic', serves to act as a model unit.

2. **Decentralisation:** Gandhi firmly believed that decentralisation of social and political power was the base in building up of village republics. Here the main decision-making power is not entrusted in the State and the national capital but with the Village Panchayat. The representatives shall be elected and constitutes a council, called the Panchayat and will continue for a five year period.

   All the legislative, executive and judicial matters shall be supervised by the Panchayat. The main focus is given on education, health and sanitation of the village. The Panchayatshave the responsibility to protect and uplift the poor people particularly the 'untouchables'. Also, the various resources for managing the affairs of the villageare raised from the villages itself.

Again, the various conflicts and disputes would be resolved within the village. The Panchayat has an important role to play in spreading the importance of moral and spiritual values among the rural people.Apart from supervising its own affairs, a set of volunteers will be entrusted with the duty of defending the village against any invasion in a peaceful and non-violent manner.

3. **Self-sufficiency**: Self-sufficiency at the village level is a pre-requisiteso that a decentralised economy can be attained. The village should also be self-sufficient in fulfilling its basic requirements of food, clothing, and other necessities. Nevertheless, certain thing which cannot be produced in the village has to be imported.

   The village should be self-sufficient in the production of food-crops and cotton.Lands should be distributed amongst cattle for grazing and for the adults and children, a common playground. Moreover, cash crops like tobacco, opium, etc. must be producedso that they can engage in the barter system of trade where goods are exchanged in place of goods.

   There should be provision of providing of full employment to all the adults of the villageso that no person is forced to migrate to towns. Physical labour plays an important role in the Gandhian concept of the self-sufficient village. According to Gandhi, every person must engage in some physical labour to earn his bread. Physical labour can enhance moral discipline and sound development of the mind. Gandhi said, “If all laboured for their bread then there would be enough food and enough leisure for all.”

4. **Industrialization**: Gandhiji believed that industrialization would not benefit all in general. Rather, it would help only a few and thus, will lead to concentration of economic power. Industrialization encourages competition and will lead to exploitation of the villages. Large scale production requires marketing which in turn is profit-seeking.

   Moreover, industrialization leads to the use of machines in place of manpower and hence causes unemployment. In a country like India,

the villages will get ruined with industrialisation as it will increase unemployment on one hand and also the labourers will be forced to migrate to distant urban areas.

In such a crisis, the need for the development of village and cottage industries becomes a necessity. This will create employment to meet the various needs of the villagers and thus facilitate village self-sufficiency. If machines satisfy the aims of self-sufficiency and full employment, then the villagers can use modern machines and tools to facilitate their production.

5. **Trusteeship**: Gandhiji was against the concentration and misuse of wealth. Gandhijifocussed on the principle of trusteeship which found its applicability in social and economic affairs. He propounded that all social possessions should be kept in trust. The capitalists would have accumulated wealth shall have to distribute the surplus wealth for maximising the welfare for the rest of the society.

The capitalists shall act as benefactors for the poor workers, under trusteeship. It is through this trusteeship,Gandhiproposed that there can be increasein the welfare of the labours. Also, the clash that existed between the workers and employers can be escaped. Trusteeship proposed a continuous a state of equality on this world. The rich can keep only that much which is necessary for them to maintain a good standard of living. The remaining could be used for the welfare of the society. Trusteeship will thus help in eliminating economic inequalities between the wealthy and poor people. The doctrine of trusteeship did not give any scope for bloodshed and violence.

Gandhiji was not in favour of individual ownership of land. Land should be used only for the welfare of the society or community as it only belongs to the community. They should act as trustees of the land and thus donate their land voluntarily.

Hence, Gandhiji's concept of development was meant for the upliftment of the common man. He emphasised on village residents and focussed on Swadeshi craft to imported technology for the

economic wellbeing of the people. Stress was therefore given on cottage and small scale industries and on a decentralised economy. Gandhji stressed on the integration of education, health and vocation which is of utmost necessity for theintegration of rural development. He focussed on the importance of education and training known as 'Naitalim' (New training) which is required for rural reconstruction.

In conclusion it can be said that the Gandhian approach strives to bring integrated rural development to make the villages self-governed and self-sufficient without violence. This would bring ultimate development in the rural areas of India.



CHECK YOUR PROGRESS

Q 3: State two principles of rural development according to Mahatma Gandhi?

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3.7 ISSUES IN RURAL DEVELOPMENT

Rural development means overall improvement of the quality of lifefor the Rural people. It is observed that almost 70% of population of India lives in villages. Again, this backwardness of the rural sector acts as a major impediment to the overall progress of the economy. India being an agricultural country and farming is their main occupation. Rural development thus aims to bring economic wellbeing to the people living in the rural areas. It aims to bring about reduction of poverty, increasing productivity, providing basic services like health, education, drinkingwater, sanitation, infrastructure etc. further it aims to bring equal distribution of wealth among the masses. The key issues in Rural Development are:-

i. **Development of other alternate occupations besides agriculture**: it is observed that agricultural land is limited in rural areas.

As such, focus should be on alternative occupations in the rural areas for the overall development of the rural areas.

ii. **Investment in Human Capital**: Investment must be made on human capital through various skill development courses; vocational training courses so that the rural youth can be absorbed in the development of the rural areas itself.

iii. **Roads:** People in the poor communities are isolated from the main towns and cities. This is mainly because of dilapidated roads, inadequate transport facilities etc. Thus it is difficult to bring goods to the market or send children to school. Also, various emergencies in health cannot be dealt properly in rural areas.

iv. **Electricity**: It has been found that, about 19,909 villages are yet to be electrified (Progress report of village electrification as on 31-01-2015). In addition, the power quality in the electrified villages is not up to the mark in some electrified villages.

v. **Water**: The water quality of groundwater is not appropriate for consumption and other purposes. Itis estimated that around 1.5 million children die of diarrhoea alone and around 37.7 million Indians are affected by water borne diseases annually. The major portion of groundwater is contaminated with iron, fluoride and arsenic. There chemicals are emerging as a major concern in many habitations especiallyin the rural India.

vi. **Education, Literacy Particularly women**: There exists wide gender disparity in the literacy rate in India. The literacy rates (age 7 and above) in 2011 were 82.14% for men and 65.46% for women. Again, adult literacy rates in India was 74.04% in 2011 and Youth literacy rate for the age group 15-24 was 90.2% (2015)

vii. **Poverty**: Poverty stands to be a great hindrance in the path of developmentspecially in rural areas.

viii. **Employment**: Unemployment is a great concern in rural India. A number of youths migrate to the urban areas in search of better employment. Moreover, the population in the rural areas have been on a rise, with the Agriculture land remaining the same.

ix. **Migration to urban**: Due to factors such as more income generating opportunities in urban areas, social as well as economic factors, better health and education facilities, more of infrastructural advantages, there has been a continuous migration of the people from the rural to urban areas of India.

x. **Land reforms**: There exist non progressive land reforms measures for the rural farmers. For this reason, the rural poor have been exploited to a great extent by the Zamindars and the big landlords.

xi. **Sanitation and Health**: There exista number of sanitation and health issues particularly in the rural areas that stands in the path of development in the rural areas. Less number of toilets, non-awareness, and drinking water quality in rural India are certain causes of concern.

3.8 SUGGESTIONS FOR RURAL DEVELOPMENT IN INDIA

1. **Utilization of Local Resources**: a village is usually rich in local resources. If ways and means can be found out to extract and utilise the same, then, this will help in providing employment of the local people and also development the village at the same time.

2. **Establishment of Rural Industries:** All the village industries come under the following broad categories

   a) Agro Based Industries(Industries of sugar, Dairy products, Oil processing from oil seeds,Pickles, Spices, Dairy etc.)

   b) Forest Based Industries(Wood and Bamboo products, Honey, etc)

   c) Mineral based industry such as Stone crushing, Cement industries,etc.

   d) Textile Industry: It includes the various steps such as Spinning, Weaving, Colouring and Bleaching.

   e) Engineering and Services: Small and medium industries which are used to produce machinery used in agriculture are included in this category, etc.

f) Handicrafts: Bamboo/wood handicrafts, toys and other traditional decorative products can be made by the local people ofthe region.

3. **Services**: Service facilities such as including agriculture machinery servicing, etc can be provided by the local youths.
4. **Startups**: A number of startups can also initiated in the rural areas so that the village can be self-sufficient to meet there own needs. Also, the products produced can be marketed in the urban areas.
5. **Encourage Rural Entrepreneurship**: Various types of entrepreneurships such as Individual, Group, Cluster or Cooperative Entrepreneurship can be initiated by the people of the local community.

3.9 CAUSES OF URBANIZATION IN INDIA

Urban development refers to development in the urban areas. It comprises of various dimensions like physical, geographical, economic and social. It aims to bring about various changes and development in the society through generation of employment, bringing collection of economic and knowledge spill overs as wellas through social and cultural change. In India, more than 30% of the population live in urban areas.

The main causes of urbanization in India are:-

1. Development and growth of the private sector
2. Rural-urban migration
3. The Industrial Revolution
4. Urbanization the main factor towards economic development of India
5. Creation of more employment opportunities in the urban areas
6. Infrastructure facilities in the urban areas.



CHECK YOUR PROGRESS

Q 4: Define urban development.

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Q 5: State two causes of urban development.

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3.10 PROBLEMS AND ISSUES RELATED TO URBAN EMPLOYMENT

The rise in the urban population in India leads to many problems relating to the standard of living of the people, environmental degradation etc. certain problems related to urban development are given below:

1. **Urban expansion**: There has been an expansion in population in the urban areas, particularly the cities. Also the economic base is not able to deal with the increasing population. In addition, the migration of the people from the rural to the urban areas has been taking place continuously which in turn has increasing the size of the cities.
2. **Overcrowding**: Overcrowding is a situation where there are too many people filled than that is desirable. It occurs because of over-population in the urban areas.
3. **Housing**: Provision of housing facility has become very difficult. The price of houses has been on an increase and cannot be afforded by the low income groups.People reside in congested houses which are devoid of proper ventilation, lighting, water sup-ply, sewage system, etc.
4. **Sanitation**: The sanitation system is also not proper in not so developed urban localities.

   Also, the drainage system is also in a bad shape. The garbage management is also a major problem in the urban areas.
5. **Environmental issues**. People are more vulnerable to risk due to the increasing man-made and natural disasters. Because of the increasing density of population there is higher risk in the urban areas.
6. **Poverty**: It is found that one third of the urban population lives below poverty line. There are disparities which exists between the people in the urban areas. There exists the problem of poverty and creating

more existing conditions for the urban poor.The rate of urban inequality has been on a rise over the years.

7. **Transport**: In urban places, private vehicles are in abundance in comparison to the use of public transport. This in turn increases congestion in the roads thereby decreasing the efficiency of public transport. Also, the public transport infrastructure in not properly maintained.
8. **Unemployment**:Urban unemployment in India is a serious problem in the urban areas. About 15 to 25 per cent of the labour force living in urban areas is unemployed.
9. **Water**: The amount of groundwater has been decreasing over the years.This is going to create serious problem for the sustenance of life on earth. With the increase in the size of urban population, supply of water has started falling short of demand.

In conclusion it can be said that, urbanization in India has been on an increase over the years, especially due to the migration of people from rural to urban areas. Again, it is linked to modernization and industrialization along with the sociological process of rationalization.



CHECK YOUR PROGRESS

Q 6: Mention two problems and issues related to urban development?

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3.11 LET US SUM UP

In this unit we have discussed the following points

- Community development involves a continuous process where members of a community come together and take collective action in

order to generate solutions to common problems.

- The characteristics and programmes under community development
- The Gandhian Approach to rural Development
- Various principles of rural development according to Mahatma Gandhi such as Ideal village, trusteeship, swadeshi, self-sufficiency, decentralisation, equality, etc.
- Rural Development and Issues in Rural Development
- Various suggestions for Rural Development in India
- Urban Development and Causes of urbanization in India
- Problems and issues related to urban employment



3.12 FURTHER READINGS

1) B.N. Ghosh and Rama Ghosh,(2017)'*Concise History of Economic Thought'.* Himalaya Publishing House.
2) H.L.Bhatia, (2011) *'History of Economic Thought',* Vikas publication.
3) P.K.Dhar, *Indaian Economy,* Kalyani Publications.
4) G. Datt and A. Mahajan, (2016) *Indian Economy,* S. Chand.



3.13 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Community development involves a continuous process where members of a community come together and take collective action in order to generate solutions to common problems.

Ans to Q No 2: (i) It should be a well-planned long-term process which is initiated and processed by the community members and which brings development and change in the society.

(ii) Community development being a grassroots process brings a positive impact in the communities concerned.

Ans to Q No 3: (i) Ideal village (ii) Decentralisation

Ans to Q No 4: Urban development refers to development in the urban areas.

Ans to Q No 5: (i) Development and growth of the private sector
(ii) Rural-urban migration

Ans to Q No 6: (i) Sanitation and (ii) Unemployment



3.14 MODEL QUESTIONS

Q 1: Explain the meaning of community development?

Q 2: State the characteristics of community development?

Q 3: Explain the programmes undertaken under community development?

Q 4: Give a brief description aboutGandhian Approach to rural Development?

Q 5: Explain the various principles of rural development according to Mahatma Gandhi?

Q 6: State the meaning and issues of rural development?

Q 7: Give the suggestions for Rural Development in India?

Q 8: Define urban development and state the causes of urban development?

Q 9: Explain the problems and issues related to urban employment?

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UNIT 4 : COTTAGE INDUSTRIES IN INDIA

UNIT STRUCTURE

4.1 Learning Objective

4.2 Introduction

4.3 Concept of Cottage industries

4.4 Role of Cottage Industries in Indian Economy

4.5 Various Cottage (SSI) Industries of India

4.6 Government Policy for Cottage Industries

4.7 Let Us Sum Up

4.8 Further Reading

4.9 Answers to check your progress

4.10 Model Questions

4.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- explain the concept of Cottage industries
- explain the Role of Cottage Industries in Indian Economy
- know Government Policy for Cottage Industries.

4.2 INTRODUCTION

This is the fourth unit of the course. In this unit we will discuss about cottage industries in India.

Cottage Industries support a large portion of the rural population of India acting as one of the major sources of its economy, and are responsible for having hugely preserved the cultural heritage of India. Not only do they help this country in maintaining a distinct identity of its own but also provide it with a unique platform to display its specialty whenever a tough competition is faced in the international markets. That is the only time when the indigenous goods can fairly compete with the foreign goods due to the impression of Indian culture that makes them unique.

This unit is designed to help you to understand the concept of cottage industry, its role in Indian economy, various cottage cottage industries of india and government policies for cottage industries.

4.3 CONCEPT OF COTTAGE INDUSTRIES

Cottage Industry is a concentrated form of small scale industry where the productivity of the goods takes place in the houses of the laborers and the workforce include the members of the family. The equipments used to generate products are not the hi-tech ones but generally those which are used at homes.

Cottage industries or the small scale industries (SSIs) are the terms used for small business carried on at home involving very less number of people as laborers who may or may not be the members of one family and sometimes, such a production or manufacturing of goods involves those traditional artisans and craftsmen who have inherited their work as an art form from their previous generations. Their various goods like dress fabrics such as *khadi*, leather, silk, cotton, wool, muslin, etc, many precious items like jewellery, ornaments, statues, idols, gems, stones, etc and edible items like spices, oils, honey, etc have a huge demand not only within India but also in the foreign markets.

4.4 ROLE OF COTTAGE INDUSTRY IN INDIAN ECONOMY

1. **Employment generation:** The small-scale industries provide large scope for employment. In 2001 the employment generated in this sector was 19.2 million. This is of great significance for a country like India which is a labour-surplus economy, and where labour-force is increasing at a very rapid rate. Moreover, the small-scale industries being labour-intensive they employ more labour per unit of capital for a given output compared to the large-scale industries. This is evident from the fact that the small-scale sector accounts for as much as 80% of the total employment in the industrial sector.

2. **Large Production:** The small-scale industries also contribute a sizeable amount to the industrial output of the country. Out of the total output of the manufacturing sector, as much as 40% comes from these industries. And out of the total supplies of industrial consumer goods a major part originates in the small-scale sector. Almost all the products of this sector are in the nature of consumer goods, with a significant part consisting of luxury goods. The adequate availability of consumer goods plays an important role in stabilizing and developing the economy.
3. **Contribution to Exports:** Many products of the small-scale industries like handloom cotton fabrics, silk fabrics, handicrafts, carpets, jewellery, etc. are exported to foreign countries. Their share in the total exports is as much as 40%. In this way the small-scale sector makes a very valuable contribution to the accumulation of foreign exchange resource of the country.
4. **Use of local resources:** The small-scale industries used resources which are available locally which would otherwise have remained unused. These resources are the hoarded wealth, family-labour, artisan's skills, native entrepreneurship, etc. Being thinly spread throughout the country, these resources cannot be used by large-scale industries which need them in big amounts and at a few specified places.
5. **Promoting Welfare:** The small-scale industries are also very important for welfare reasons. People of small means can organize these industries. This in turn increases their income-levels and quality of life. As such these industries help in reducing poverty in the country. Further, these industries tend to promote equitable distribution of income. Since income gets distributed among vast number of persons throughout the country, this help in the reduction of regional economic disparities.
6. **Equitable Distribution of National Income:** The main arguments put forward in support of the small-scale and cottage industries is that they ensure a more equitable distribution of national income and

wealth. This happens because of the following two considerations:

(a) The ownership of small-scale industries is more widespread than the ownership of large- scale industries, and

(b) They possess a much larger employment potential as compared to the large industries.

Moreover, both labour productivity and capital productivity in small-scale sector grew at a faster rate than large-scale sector during 1980-94. Thus, the small-scale sector has proved to be more efficient.

7. Mobilisation of Capital and Entrepreneurial Skill:

Small-scale industries are at a distinct advantage as far as mobilisation of capital and entrepreneurial skill is concerned. A number of entrepreneurs are spread over small towns and village industries are distributed over the entire length and breadth of the country.

Similarly, large-scale industries cannot mobilise the savings done by people in areas far flung from the urban centres. But this task can be effectively accomplished by getting up a network of small-scale and cottage industries. In addition, a large number of other resources spread over the country can be put to an effective use by the small-scale and cottage industries.

The rapid development of small-scale industries in the post-Independence period is a proof that given the necessary credit, power and technical knowledge a large quantity of latent resources of the economy can be mobilised for purposes of industrial development.



CHECK YOUR PROGRESS

Q 1: What do you understand by cottage industries.

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Q 2: Mention any two roles of cottage industries in Indian Economy.

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4.5 VARIOUS COTTAGE (SSI) INDUSTRIES IN INDIA

1. Handloom

(1) Malnmal: Meerut, Mathura, Madurai, Varanasi, Ambala

(2) Chhint: Machhilipattanam

(3) Durri: Agra, Jhansi, Aligarh, Ambala

(4) Khadi: Amroha, Calicut, Pune

2. Silk Textiles

Karnataka, Andhra Pradesh, Tamil Nadu, West Bengal and Jammu and Kashmir are the silk producing states in India.

(1) Chanderi Silk Saree: It is manufactured from chanderi cotton and silk cotton. It is situated in Chanderi, Ashoknagar district of Madhya Pradesh. The lightweight and shimmered look Chanderi Silk Sarees are listed under Geographical Indications in India.

(2) Banarasi Saree is finest sarees in India known for gold and silver zari and made of finely woven silk. There are four different types of Banarasi saree known as **Tanchoi, Organza and Katan**.

(3) Assam silk are produced in Assam and known as Muga silk, known for its extreme durability. Muga silk of Assam are used in products like traditional Assamese dress Mekhela chador and Assam silk sarees.

(4) Sambalpuri Silk Saree are manufactured in Sambalpur, Bargarh, Sonepur and Berhampur and listed under the Government of India's Geographical Indications.

(5) Kancheepuram Silk Saree is listed under Geographical indication by the Government of India, made in the Kanchipuram region in Tamil Nadu.

(6) Baluchari Sari originated in Bengal made of tassar silk. The Baluchuri saree are producer from Malda district of West Bengal.

(7) Konrad Silk Saree is also known as Temple Saree, mostly woven for temple deities. **Konrad, Mysore, Kanjeevaram Silk, Chettinad, Gadwal and Pochampally Sarees** are best traditional beauties of South Indian silk sarees.

(8) Paithani Silk Sarees are made from very fine silk in Paithan town of

Aurangabad. It is considered as one of the finest and richest saris in India.

(9) **Patola Saree** made in Patan, usually made from silk and very popular among the high class women. These double ikat Sarees are very expensive and printed with designs of elephants, flowers and parrots.

(10) **Silk Silk Saree:** It is produced by mulberry silk and processed into silk fabric in the Mysore district of Karnataka.

(11) **Bomkai Silk Sari** also known as **Sonepuri Sari** is produced in Subarnapur district. Most popular items are Sonepuri paatas, Sonepur handloom saree and Sonepu silk sarees.

(12) **Bhagalpuri Silk Sarees** are made from **Tussar silk** that is produced from silk worms. **Raigarh Kosa Silk Saree and Jharkhand Tussar Silk Sarees** are also produced from Tussar silk which is known as Kosa silk, species of moth.

3. **Woollen Textiles:** Amritsar, Dhariwal, Ludhiana, Machhilipattanam, Sri Nagar, Warrangal

4. **Leather:** Kanpur

5. **Gur & Khandsari:** Meerut

4.6 GOVERNMENT POLICY FOR COTTAGE INDUSTRIES

The Government of India has different policies for Cottage Industries, which are discussed below-

I. Industrial Policy Resolution (IPR) 1948
II. Industrial Policy Resolution (IPR) 1956
III. Industrial Policy Resolution (IPR) 1977
IV. Industrial Policy Resolution (IPR) 1980
V. Industrial Policy Resolution (IPR) 1990
VI. New small Enterprise Policy 1991

1. Industrial Policy Resolution (IPR) 1948:

The IPR, 1948 for the first time, accepted the importance of small-scale industries in the overall industrial development of the country. It was well realized that small-scale industries are particularly suited for the

utilization of local resources and for creation of employment opportunities.

However, they have to face acute problems of raw materials, capital, skilled labour, marketing, etc. since a long period of time. Therefore, emphasis was laid in the IPR, 1948 that these problems of small-scale enterprises should be solved by the Central Government with the cooperation of the State Governments. In nutshell, the main thrust of IPR 1948, as far as small-scale enterprises were concerned, was 'protection.'

2. Industrial Policy Resolution (IPR) 1956:

The main contribution of the IPR 1948 was that it set in the nature and pattern of industrial development in the country. The post-IPR 1948 period was marked by significant developments taken place in the country. For example, planning has proceeded on an organised manner and the First Five Year Plan 1951-56 had been completed. Industries (Development and Regulation) Act, 1951 was also introduced to regulate and control industries in the country.

The parliament had also accepted 'the socialist pattern of society' as the basic aim of social and economic policy during this period. It was this background that the declaration of a new industrial policy resolution seemed essential. This came in the form of IPR 1956.

The IPR 1956 provided that along with continuing policy support to the small sector, it also aimed at to ensure that decentralised sector acquires sufficient vitality to self-supporting and its development is integrated with that of large- scale industry in thecountry. To mention, some 128 items were reserved for exclusive production in the small-scale sector.

Besides, the Small-Scale Industries Board (SSIB) constituted a working group in 1959 to examine and formulate a development plan for small-scale industries during the, Third Five Year Plan, 1961-66. In the Third Five Year Plan period, specific developmental projects like 'Rural Industries Projects' and 'Industrial Estates Projects' were started to strengthen the small-scale sector in the country. Thus, to the earlier emphasis of 'protection' was added 'development.' The IPR 1956 for small-scale industries aimed at "Protection plus Development." In a way, the IPR 1956 initiated the modem SSI in India.

3. Industrial Policy Resolution (IPR) 1977:

During the two decades after the IPR 1956, the economy witnessed lopsided industrial development skewed in favour of large and medium sector, on the one hand, and increase in unemployment, on the other. This situation led to a renewed emphasis on industrial policy. This gave emergence to IPR 1977.

The Policy Statement categorically mentioned:

"The emphasis on industrial policy so far has been mainly on large industries, neglecting cottage industries completely, relegating small industries to a minor role. The main thrust of the new industrial policy will be on effective promotion of cottage and small-scale industries widely dispersed in rural areas and small towns. It is the policy of the Government that whatever can be produced by small and cottage industries must only be so produced."

The IPR 1977 accordingly classified small sector into three broad categories:

1. Cottage and Household Industries which provide self-employment on a large scale.
2. Tiny sector incorporating investment in industrial units in plant and machinery up to Rs. 1 lakh and situated in towns with a population of less than 50,000 according to 1971 Census.
3. Small-scale industries comprising of industrial units with an investment of upto Rs. 10 lakhs and in case of ancillary units with an investment up to Rs. 15 lakhs.

The measures suggested for the promotion of small-scale and cottage industries included:

(i) Reservation of 504 items for exclusive production in small-scale sector.

(ii) Proposal to set up in each district an agency called 'District Industry Centre' (DIC) to serve as a focal point of development for small-scale and cottage industries. The scheme of DIC was introduced in May 1978. The main objective of setting up DICs was to promote under a single roof all the services and support required by small and village entrepreneurs.

What follows from above is that to the earlier thrust of protection (IPR 1948) and development (IPR 1956), the IPR 1977 added 'promotion'. As per this resolution, the small sector was, thus, to be 'protected, developed, and promoted.'

4. Industrial Policy Resolution (IPR) 1980:

The Government of India adopted a new Industrial Policy Resolution (IPR) on July 23, 1980. The main objective of IPR 1980 was defined as facilitating an increase in industrial production through optimum utilization of installed capacity and expansion of industries.

As to the small sector, the resolution envisaged:

(i) Increase in investment ceilings from Rs. 1 lakh to Rs. 2 lakhs in case of tiny units, from Rs. 10 lakhs to Rs. 20 lakhs in case of small-scale units and from Rs. 15 lakhs to Rs. 25 lakhs in case of ancillaries.

(ii) Introduction of the concept of nucleus plants to replace the earlier scheme of the District Industry Centres in each industrially backward district to promote the maximum small-scale industries there.

(iii) Promotion of village and rural industries to generate economic viability in the villages well compatible with the environment.

Thus, the IPR 1980 reimphasised the spirit of the IPR 1956. The small-scale sector still remained the best sector for generating wage and self-employment based opportunities in the country.

5. Industrial Policy Resolution (IPR) 1990:

The IPR 1990 was announced during June 1990. As to the small-scale sector, the resolution continued to give increasing importance to small-scale enterprises to serve the objective of employment generation.

The important elements included in the resolution to boost the development of small-scale sector were as follows:

(i) The investment ceiling in plant and machinery for small-scale industries (fixed in 1985) was raised from Rs. 35 lakhs to Rs. 60 lakhs and correspondingly, for ancillary units from Rs. 45 lakhs to Rs. 75 lakhs.

(ii) Investment ceiling for tiny units had been increased from Rs. 2 lakhs to Rs. 5 lakhs provided the unit is located in an area having a population

of 50,000 as per 1981 Census.

(iii) As many as 836 items were reserved for exclusive manufacture in small- scale sector.

(iv) A new scheme of Central Investment Subsidy exclusively for small-scale sector in rural and backward areas capable of generating more employment at lower cost of capital had been mooted and implemented.

(iv) With a view, to improve the competitiveness of the products manufactured in the small-scale sector; programmes of technology up gradation will be implemented under the umbrella of an apex Technology Development Centre in Small Industries Development Organisation (SIDO).

(v) To ensure both adequate and timely flow of credit facilities for the small- scale industries, a new apex bank known as 'Small Industries Development Bank of India (SIDBI)' was established in 1990.

(vi) Greater emphasis on training of women and youth under Entrepreneurship Development Programme (EDP) and to establish a special cell in SIDO for this purpose.

(vii) Implementation of delicencing of all new units with investment of Rs. 25 crores in fixed assets in non-backward areas and Rs. 75 crores in centrally notified backward areas. Similarly, delicensing shall be implemented in the case of 100% Export Oriented Units (EOU) set up in Export Processing Zones (EPZ) up to an investment ceiling of Rs. 75 lakhs

6. New Small Enterprise Policy of 1991

The Government of India, for the first time, tabled the new small enterprise policy titled 'Policy Measures for Promoting and Strengthening and Supplementing Small, Tiny and Village Enterprises' in the Parliament on August 6, 1991. The main thrust of New Small Enterprise Policy is to impart more vitality and growth impetus to the sector to enable it to contribute its mite fully to the economy, particularly in terms of growth of output, employment and exports.

The sector has been substantially delicensed. Concerted efforts would be made to deregulate and debureaucratize the sector with a view to remove all fetters on its growth potential, on the one hand, and reposing greater faith in small and new entrepreneurs, on the other.

The salient features of this new small enterprise policy areas under:

1. Increase in the investment limit in plant and machinery of tiny enterprises from Rs. 2 lakhs to Rs. 5 lakhs, irrespective of the location of the enterprise.
2. Inclusion of industry-related services and business enterprises, irrespective of their location, as small-scale industries.
3. Introduction of limited Partnership Act. This would limit the financial liability of the new entrepreneurs to the capital invested.
4. Introduction of a scheme of Integrated Infrastructural Development (including technological back-up services) for small-scale industries.
5. Introduction of factoring services to help solve the problems of delayed payments to small sector.
6. Market promotion of small-scale industries products through cooperative / public sector institutions, other specialised professional/ marketing agencies and the consortium approach.
7. Setting up a Technology Development Cell in the Small Industries Development Organisation.
8. According priority to small and tiny sector in the allocation of indigenous raw materials.
9. Setting up of an Export Development Centre in the Small Industries Development Organisation (SIDO).
10. Widening the scope of the National Equity Fund (NEF) to enlarge the single window scheme and also to associate commercial banks with provision of composite loans



4.7 LET US SUM UP

- Cottage Industry is a concentrated form of small scale industry where the productivity of the goods takes place in the houses of the laborers

and the workforce include the members of the family.

- The small-scale industries provide large scope for employment.
- Many products of the small-scale industries like handloom cotton fabrics, silk fabrics, handicrafts, carpets, jewellery, etc. are exported to foreign countries.
- The Government of India, for the first time, tabled the new small enterprise policy titled 'Policy Measures for Promoting and Strengthening and Supplementing Small, Tiny and Village Enterprises' in the Parliament on August 6, 1991.



4.8 FUTTHER READING

1) B.N. Ghosh and Rama Ghosh,(2017)'*Concise History of Economic Thought'.* Himalaya Publishing House.
2) H.L.Bhatia, (2011) *'History of Economic Thought',* Vikas publication.
3) P.K.Dhar, *Indaian Economy,* Kalyani Publications.
4) G. Datt and A. Mahajan, (2016) *Indian Economy,* S. Chand.



4.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Cottage Industry is a concentrated form of small scale industry where the productivity of the goods takes place in the houses of the laborers and the workforce include the members of the family. The equipments used to generate products are not the hi-tech ones but generally those which are used at homes

Ans to Q No 2: Employment generation and Large Production.



4.10 MODEL QUESTIONS

Q 1: Discuss briefly the role of Cottage industries in Indian Economy.

Q 2: Discuss briefly the various government policies for cottage industries.

Q 3: Write a short note on various cottage industries in India.

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UNIT 5 : RURAL INDEBTEDNESS IN INDIA

UNIT STRUCTURE

5.1 Learning Objectives

5.2 Introduction

5.3 Meaning and nature of Indebtedness in India

5.4 Causes of Rural Indebtedness In India

5.5 Consequences of Rural Indebtedness

5.6 Remedial Measures to Solve Rural Indebtedness in India

5.7 Program for Removal of Rural Indebtedness

5.8 Let Us Sum Up

5.9 Further Reading

5.10 Answers to check your progress

5.11 Model Questions

5.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- explain the concept of Rural Indebtedness
- know the nature of Rural Indebtedness
- know the consequences Rural Indebtedness
- explain the program for removal of Rural Indebtedness.

5.2 INTRODUCTION

Indebtedness in rural India is widespread. It has many causes and consequences. Despite various measures like bank nationalization, establishment of Regional Rural Banks, Lead Bank Scheme etc, India fails to eradicate indebtedness. In this unit we will discuss the concept of Rural Indebtedness, nature of Rural Indebtedness, consequences Rural Indebtedness and some program for removal of Rural Indebtedness.

5.3 MEANING AND NATURE OF INDEBTEDNESS IN INDIA

Indebtedness means an obligation to pay money to another party. In rural India the poor farmers and wage labours etc. when are unable to repay a loan and accumulate it, gives rise to the problem of rural indebtedness. Rural indebtedness is an indicator of the weak financial infrastructure of our country, which includes inability of our economic system to reach to the needy farmers, landless people in the villages and the agricultural wage labourers.

The farmers borrow loan for either agricultural operations or some other uses like supporting the family in the lean season or to buy equipments. Due to lower income or wasteful expenditures when the farmers are unable to pay the loans they are unable to pay off their debts and thus accumulate the debt as well as pending interest on the amount. The weaker 'financial inclusion' in India has given the local money lenders an opportunity to exploit.

The tragedy of this debt did not lie in its volume nor in its rate of growth. The cause for worry was the unproductive nature of this debt. As early as 1895, Nicholson had found that only 1.3% of the registered loans in Madras were due to land improvement. Darling found that only less than 5% of the debt in the Punjab was caused by land improvements.

In the United Provinces, the Provincial Banking Committee found that 70% of the then existing debt was contracted for unproductive purposes and the same was more or less true of Bengal and Bombay also. The situation had not changed for any the better when the Rural Credit Survey Committee found 56.3% of all loans as unproductive.

5.4 CAUSES OF RURAL INDEBTEDNESS

(i) Poverty: Indian farmers are very poor and do not have any past saving to repay their debt or to make improvement on their land. Thus, poverty forces the cultivators to multiply their debt.

(ii) Defective Agricultural Structure: Rural indebtedness is also resulted from defective agricultural structure which includes defective

land tenure system, adoption of outdated techniques, increasing pressure on land, defective marketing, absence of alternative sources of income etc.

(iii) No Past Savings: Indian farmers have a tendency to borrow fund for the improvement of their land and agricultural operation although they have no past saving.

(iv) Unproductive Expenditure: Indian farmers are very much accustomed to make huge expenditures for unproductive purposes such as marriage and other social ceremonies. All these have to led to growing indebtedness of the farmers of the country.

(v) Ancestral Debt: Indian farmers inherit their father's debt.

(vi) Unscrupulous Moneylender: Moneylenders in India are also very much responsible for the growing rural indebtedness in the country as they encourage the Indian farmers to borrow, charge a very exorbitant rate of interest and manipulate their accounts.

(vii) Uncertain Monsoon: Indian agriculture is very much depending on monsoon. About 65 per cent of the agricultural operations are rainfed. As rain is most uncertain, therefore, agricultural operation has become a gamble in monsoon.

(viii) Illiteracy of Farmers: Most of the Indian farmers are illiterate. Unscrupulous moneylenders or mahajans are utilizing this weakness of farmers to create a vicious circle of indebtedness.

(ix) Fragmentation: There is a growing trend of sub-division and fragmentation of land holdings which has been resulting in a poor level of income for Indian farmers. Such poor income forces the farmers towards growing indebtedness.

(x) Litigation: There is an increasing tendency of litigation among the Indian farmers which has magnified the problem of indebtedness in the country.

(xi) Defective Marketing: Agricultural marketing in India is very much defective. This never allows the farmers a remunerative price for their products and sometimes forces them to go for a distress sale. Such a situation is highly responsible for growing poverty and indebtedness

among the Indian farmers.

(xii) Natural Calamities: Natural calamities like floods and droughts and backwardness of agriculture are also widely responsible for growing rural indebtedness in the country.

Thus, all these factors are responsible for growing rural indebtedness in India

5.5 CONSEQUENCES OF RURAL INDEBTEDNESS

1. **Increase in Poverty:** Most explicit result of Indebtedness is the increase in the poverty of the poor people. Poverty becomes their life-long companion. Due to indebtedness they are not in a position to save money and become poorer.

   Once he becomes entangled in debt, he remains poor, no matter how much he may exert himself.

2. **Slavery and Bonded Labour:** Indebtedness is resulted into slavery and bonded labour. Due to fulfillment of the social obligation, in order to repay the ancestral debt, the poor farmer falls in prey to slavery and bonded labour.

3. **Problem of Health:** Rural indebtedness leads to the poor health of the debtor. Due to poverty and indebtedness the farmer cannot have any nourishing diet and good food. They also cannot afford to have medical facilities for themselves and for their children. All these leads to lowering of their health standard.

4. **Loss of Social Prestige:** Due to indebtedness the farmer feels himself very much inferior in front of the moneylenders or sahukars. So it becomes his loss of social prestige

5. **Deterioration of Agriculture:** As a result of indebtedness, the condition of agriculture also deteriorated, because most of the farmers had to work on their moneylenders land as servants. The farmers also cannot give proper attention to the lands where they have cultivated. So it leads to the deterioration of agriculture.

6. **Psychological Problems:** The effect of indebtedness leads to frustration, depression, mental imbalance and mental conflict of the

poor farmer. Due to heavy burden of loan, the farmers are neither able to repay the loan nor able to improve their economic condition. They remain in a dilemma. Sometimes they commit suicide out of extreme frustration

7. **Lowering of Economic Standard:** Due to indebtedness, farmers' purchasing power are reduced, they cannot meet their own and their family's basic need. With this, economic standard of the fanner considerably comes down and down.
8. **In-dignified Exploitation of Man by Man:** Due to ignorance and illiteracy the farmer easily falls into the prey of the moneylender. The moneylender tries to exploit him in many ways. Due to lower social prestige, he cannot raise his voice against the moneylender. So, indebtedness results in In-dignified exploitation of man by man. At times even the whole family of the borrower is forced to work for the moneylender.
9. **Increase in Landless Labour:** Increase in landless labour is also because of rural indebtedness. Once a farmer is in the trap of the moneylenders, gradually the amount with Interest goes on increasing. A stage comes when the poor farmer has no other alternative but to sell his small piece of land to the moneylender and joins the ranks of landless labour.
10. **Evil Social Impact:** Growing indebtedness usually divides the society into haves and have-not's leading to a rise of class conflicts in the society. This is really dangerous. In this connection, Prof. Thomas has rightly observed, "A society that sinks into indebtedness is like a volcano.

    It erupts in the form of class conflict. The society is inflicted with inefficiency that hinders the pace of growth." Thus, rural indebtedness have many evil consequences. Thus, steps must be taken to remove it as early as possible.



CHECK YOUR PROGRESS

Q 1: What is Rural Indebtedness?

.....

.....

Q 2: Write two consequences of Rural Indebtedness.

.....

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5.6 REMEDIAL MEASURES TO SOLVE RURAL INDEBTEDNESS IN INDIA

Following are the remedial measures to solve rural indebtedness in India-

(i) **Settlement of Old Debt:** Proper legislation to enacted to cancel or to reduce the extent of ancestral debts and non-institutional debt held by the small farmers of the country.

(ii) **Reducing Dependence on Moneylenders:** Institutional credit network comprising of co-operatives, commercial banks, regional rural banks etc. be expanded for reducing the dependency of the farmers on the money-lenders.

(iii) **Control of New Loans:** Proper steps must be taken in such a way so that farmers do not resort to borrowing for non-productive purposes. Thus unproductive loans for the celebration of marriages and births should be completely avoided. By imparting proper education and propaganda, Government can help the farmers of the country to become conscious in this respect.

(iv) **Control over Moneylenders:** In order to control the growing menace of rural indebtedness, activities of the moneylenders should be controlled. In the mean time, various state governments have passed different acts to make it mandatory on the part of moneylenders to obtain licence for their money lending operations and also to maintain proper accounts and also to have a control over the rate of interest charged by them.

(v) Checking Transfer of Land: In order to have a check on the transfer of land for non-agricultural purposes as a result of non-payment of loan by the farmers the Government has already enacted various laws for protecting the farmers, interest.

(vi) Encouraging Savings: Farmers should also be encouraged to adopt saving habit on a routine manner. The co-operative credit societies can also play an important role in this regard. In the mean time proper legislation has been enacted in some states to prevent the sale of land by the farmers to the moneylenders.

5.7 PROGRAM FOR REMOVAL OF RURAL INDEBTEDNESS

1) Deccan agriculturists Act of1879: It was in 1879, that the Government passed Deccan Agriculturists act, through which certain relives were granted to the farmers. The agricultural implements and the animals such as bullocks etc, of the farmers could not be sold for non repayment of loans. A farmer cold not is imprisoned for his inability to pay loans. He was given facility to repay the loans in installments. He also gets the facility to repay the loans in installment. He also gets the facility to declare himself as a bankrupt. These measures gave a good deal of relief to the farmers who were under the debt of the money lenders.

2) Punjab land alienation Act of 1900: Registration of Document Act of 1864 and the transfer of property Act 1882 gave an opportunity to the money lenders to exploit the poor farmers with the half of the provisions of these Acts, the money lenders took away the land of thousands poor farmers. This exploitation would be created further complications and even affected adversely on the agricultural production and so Punjab land Alienation Act was passed. After this several other such Acts were passed.

According to the provisions of the Punjab Land Alienation Act the money lender could not take away the land mortgaged with think. He has to return this land after 20 years. Similar Acts were passed in

1993 in U.P and on 1904 in North Western Frontier provinces and in 1996 in the central provinces.

Apart from these Acts, several legislations were passed to regulate the business of the money lenders. These measures were passed in Punjab and other places.

3) **Law for minimising the amount of loan:** The Government had to come in between the money lenders and the debtors. As a result of legislative measures a 'Conciliation Board' was set up by law the Government minimised the amount of loan and also made provision for the realisation of the money in installments. According to these legislations, is no case would the amount of the interest to beyond the capital all these things put restrictions on the exploitation of the debtors by the money lenders.

4) **Comprehensive Crop Insurance Scheme (CCIS) 1985 :** To provide financial support to the farmers in the event of failure of crops as a result of natural calamities, a Comprehensive Crop Insurance Scheme (CCIS) was introduced in the country with effect from Kharif, 1985. The participation in the scheme was voluntary and the States were free to opt for the scheme. All farmers who availed crop loans from Commercial Banks, Regional Rural Banks and Cooperative Banks for growing wheat, paddy, millets (including maize), oilseeds and pulses were eligible for coverage under the scheme. CCIS remained under implementation till Kharif 1999.

5) **The Kisan Credit Card (KCC) :** This scheme is a credit scheme introduced in August 1998 by Indian banks. This model scheme was prepared by the National Bank for Agriculture and Rural Development (NABARD) on the recommendations of R.V.GUPTA committee to provide term loans and agricultural needs.

Its objective is to meet the comprehensive credit requirements of the agriculture sector by giving financial support to farmers. Participating institutions include all commercial banks, Regional Rural Banks, and state co-operative banks. The scheme has short term credit limits for crops, and term loans. KCC credit holders are covered

under personal accident insurance up to Rs 50,000 for death and permanent disability, and up to Rs 25,000 for other risk. The premium is borne by both the bank and borrower in a 2:1 ratio. The validity period is five years, with an option to extend for up to three more years. Kisan Credit Card (KCC) offering credit to the farmers in two types viz, 1. Cash Credit 2. Term Credit (for allied activities such as pump sets, land development, plantation, drip irrigations).

6) **The National Agricultural Insurance Scheme (NAIS):** The National Agricultural Insurance Scheme (NAIS) was introduced from 1999-2000 replacing the erstwhile Comprehensive Crop Insurance Scheme (CCIS). The main objective of the scheme is to protect the farmers against crop losses suffered on account of natural calamities such as drought, flood, hailstorm, cyclone, fire pests and diseases.

The new scheme is now available to all the farmers—loanee and non-loanee—irrespective of their size of holding. It envisages coverage of all the food crops (cereals, millets and pulses), oilseeds and annual horticultural/commercial crops, in respect of which past yield data is available for adequate number of years.

7) **Farm Income Insurance Scheme :** The Central Government formulated the Farm Income Insurance Scheme (FIIS) during 2003-04. The two critical components of a farmer's income are yield and price. FIIS targeted these two components through a single insurance policy so that the insured farmer could get a guaranteed income.

The scheme provided income protection to the farmers by insuring production and market risks. The insured farmers were ensured minimum guaranteed income (that is, average yield multiplied by the minimum support price). If the actual income was less than the guaranteed income, the insured would be compensated to the extent of the shortfall by the Agriculture Insurance Company of India. Initially, the scheme would cover only wheat and rice and would be compulsory for farmers availing crop loans. NAIS (explained in the section below) would be withdrawn for the crops covered under FIIS, but would continue to be applicable for other crops.

8) **The National Commission on Farmers** (**NCF**) : It is an Indian commission constituted on November 18, 2004 under the chairmanship of Professor M.S. Swaminathan to address the nationwide calamity of farmers suicides in India. The Terms of Reference reflected the priorities listed in the Common Minimum Programme. The NCF submitted four reports in December 2004, August 2005, December 2005 and April 2006 respectively. The fifth and final report was submitted on October 4, 2006. The reports contain suggestions to achieve the goal of "faster and more inclusive growth" as envisaged in the Approach to 11th Five Year Plan and are collectively termed the M.S.Swaminathan report for farmers.

9) **Small Farmers Development Agency (SFDA) :** In 1969, The RBI had appointed an All-India Rural Credit Review Committee in 1969. The chairman of this commitee recommended establishment of Small Farmers Development Agency (SFDA).

The core philosophy of the SFDA was

- To investigate and identify the problem of small farmers and ensure that various services reach to them.
- To ensure that the farmers secure loans from cooperative banks.
- To ensure that the farmers have access to other assistances such as cooperative banks, improved seeds, fertilizers and other inputs.

10) **Measure for regulating the money lending:** The Government by this time realised with the bad conditions of the farmers was very much due to indebtedness. They therefore introduced measures for improving the conditions of the farmers and also for putting restriction on the loans. In 1883 land improvement loan Act was passed through which loan was advanced to the farmers for making the land more fertile and also for marking arrangements for irrigation facilities. The legislative measures to a very great extent helped the farmers.

Agricultural Loans Act 1884:

This Act was passed in 1884. It provided for loans to the farmers for a short time in low rate of interest for certain thing necessary for their agriculture. Then in 1904 co operative Credit Societies Act was passed as

a result of which Co operative Credit Societies were set up in various parts of the country. In 1912 this law was amended Land Mortgage Banks were also started to provided loans to the farmers for improving their agriculture and the fertility of land.

Laws regarding control on moneylender:

After 1930 several states passed several Acts through which they put various restrictions on the money lenders in regard to the loans to the farmers. It was made binding for them to have a license and set themselves registered as money lenders. They were also required to keep their accounts properly. The rate of interest was also regulated and the maximum rate of interest was prescribed.

Co-operative movement:

The co operative movement was launched with the object of improving the lot of the charmers. It has worked for about three quarters of a century, but it has not fulfilled the object for which it was started. As a result of co operative Marketing Societies, Multipurpose Co operative Societies etc, were set up. Through the effort is being made to improve the lot of the farmers.

Savings Bank Accounts:

The government launch a movement for education the farmers in regard to economy and savings. In order to encourage the farmers to save money various savings banks. The societies have helped to some extent in the improvement of the economic conditions of the farmers.



5.8 LET US SUM UP

- The problem of rural indebtedness is linked with the larger issue of rural poverty.
- Indebtedness means an obligation to pay money to another party.
- Most explicit result of Indebtedness is the increase in the poverty of the poor people.

- The effect of indebtedness leads to frustration, depression, mental imbalance and mental conflict of the poor farmer.
- Increase in landless labour is also because of rural indebtedness.



5.9 FURTHER READING

1) B.N. Ghosh and Rama Ghosh,(2017)'*Concise History of Economic Thought'.* Himalaya Publishing House.

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3) P.K.Dhar, *Indaian Economy,* Kalyani Publications.

4) G. Datt and A. Mahajan, (2016) *Indian Economy,* S. Chand.



5.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Indebtedness means an obligation to pay money to another party. In rural India the poor farmers and wage labours etc. when are unable to repay a loan and accumulate it, gives rise to the problem of rural indebtedness. Rural indebtedness is an indicator of the weak financial infrastructure of our country, which includes inability of our economic system to reach to the needy farmers, landless people in the villages and the agricultural wage labourers.

Ans to Q No 2: Two consequences of Rural Indebtedness are

1. **Increase in Poverty:** Most explicit result of Indebtedness Is the Increase in the poverty of the poor people. Poverty becomes their life-long companion. Due to indebtedness they are not in a position to save money and become poorer.

   Once he becomes entangled in debt, he remains poor, no matter how much he may exert himself.

2. **Slavery and Bonded Labour:** Indebtedness is resulted into slavery and bonded labour. Due to fulfillment of the social

obligation, in order to repay the ancestral debt, the poor farmer falls in prey to slavery and bonded labour.



5.11 MODEL QUESTIONS

Q 1: Discuss the nature of Rural Indebtedness.

Q 2: Discuss briefly the consequences of Rural Indebtedness.

Q 3: Suggest some of the programmes for removal of Rural Indebtedness.

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UNIT 6 : RURAL UNEMPLOYMENT IN INDIA

UNIT STRUCTURE

6.1 Learning Objective

6.2 Introduction

6.3 Concept of Unemployment

6.4 Types of Unemployment

6.5 Characteristics of Rural Unemployment

6.6 Incidence of Rural Unemployment in India

6.7 Employment Generation Measures

6.8 Let Us Sum Up

6.9 Further Reading

6.10 Answers to Check Your Progress

6.11 Model Question

6.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- explain the concept of unemployment
- know the types of unemployment
- know the characteristics of rural unemployment
- explain some employment generation measures.

6.2 INTRODUCTION

Unemployment has been a chronic ailment of the Indian economy. It is a sign of poverty to the individual who is unemployed, a stigma to the society, and a loss of human resource for the nation. Economic growth without proportionate growth of employment opportunities is the growth without social justice and therefore, meaningless. A nation is developed only when it achieves a high rate of participation (implying a high rate of employment) of its workforce in the process of economic growth.

In this unit we will discuss the concept of unemployment, types of unemployment, Characteristics of Rural Unemployment, Employment Generation Measures etc.

6.3 CONCEPT OF UNEMPLOYMENT

Unemployment problem is one of the most serious problems, which is normally found in each and every country of the world, irrespective of its economic development. According to NSSO, Unemployment is a situation in which all those who, owing to lack of work, are not working but either seek work through employment exchanges, intermediaries, friends or relatives or by making applications to prospective employers or express their willingness or availability for work under the prevailing condition of work and remunerations. In short, Unemployment refers to a situation in which people are willing and able to work at the existing wage rate, but do not get work. Unemployment is confined not only to unskilled workers, rather a sizable number of skilled workers fail to get jobs for long periods. There are a variety of ways by which an unemployed person is identified. According to some economists, "Unemployed Person is the one who is not able to get employment of even one hour in half a day".

6.4 TYPES OF UNEMPLOYMENT

1. Disguised Unemployment:

Unemployment may be classified into: (i) open, and (ii) disguised. So far, the kinds of unemployment which we have discussed are all related to open employment. The term "disguised unemployment" owes its origin to Mrs. Robinson, but received a meaningful interpretation and came to be extensively used in the theory of underdevelopment at the hands of Rosenstein-Roddan and Nurske.

The term "disguised unemployment" commonly refers to a situation of employment with surplus manpower, in which some workers have zero marginal productivity so that their removal will not affect the volume of total output. Suppose a given land can properly be organised and cultivated by four persons very effectively.

If however, six workers, all members of the same family, are employed on this land, the additional two workers do not contribute anything to the total output and hence, their marginal productivity will be zero. Thus,

the removal of these two workers (surplus labour) will not affect the total output, even without any change in the method of production.

Hence, these two workers are said to be disguisedly unemployed. That means, unproductive employed worker in any occupation is, really speaking, unemployed, but it is not clearly visible. Hence, such unemployment is known as "disguised" or concealed employment.

2. Seasonal Unemployment:

There are some industries and occupations such as agriculture, the catering trade in holiday resorts, some agro-based industrial activities, like sugar mills and rice mills, etc., in which production activities are seasonal in nature. So, they offer employment for only a certain period of time in a year. For instance, work in sugar mills lasts for about six months. Rice mills work for only a few weeks.

Agriculture offers employment at the time of ploughing and as the unemployment of people engaged in such types of work or activities which cater to the seasonal demand. We may call it "seasonal unemployment." Even self-employed people may be seasonally unemployed, off the season. Seasonal unemployment is found in any country, whether it is developed or underdeveloped. Seasonal unemployment implies not only an underutilisation of manpower, but also of capital stocks used in industries of a seasonal nature. This poses a serious problem of wastage of productive resources for an underdeveloped country which is already deficient in capital resources.

By making agriculture a full-time job through irrigation, fertilizers and mechanisation, the problem of seasonal unemployment of farmers can be solved. Intensive cultivation, double cropping, mixed farming, dry farming etc. can be of great help in this regard. This would not only solve the problem of unemployment but also increase national income and the welfare of the community. Promotion of small-scale industries, social overhead projects (like road-building, irrigation projects, etc.) can help in easing the problem of seasonal unemployment.

3. Voluntary Unemployment:

In every society, there are some people who are unwilling to work at

the prevailing wage rate, and there are some who are lucky enough to get a continuous flow of unearned income from their unemployed status. Jobs are available for them but they do not want to accept them. Voluntary unemployment may be a national waste of human energy, butit is not a serious economic problem with any social repercussions. Voluntary unemployment is consistent with the state of full employment.

4. Frictional Unemployment:

Frictional unemployment is a temporary phenomenon.

It may take place in various ways. When some workers are temporarily out of work while changing jobs, it is called "frictional unemployment." Similarly, strikes and lockouts may result in the suspension of work, and there may exist some frictional unemployment for the time being. To some extent, frictional unemployment is also caused by the imperfect mobility of labour. Factors inhibiting the geographical or occupational movement of unemployed workers into vacant jobs, thus, cause frictional unemployment.

According to economists like Keynes and Lerner frictional unemployment is a kind of unemployment which is quite consistent with the condition of full employment in an economy. Frictional unemployment is due to difficulties in getting workers and vacancies together.

Hence the problem of frictional unemployment should be dealt with by some special devices for overcoming the mobility of labour such as spread of information about job opportunities, arrangement for jobs through employment exchanges, improvement in transport facilities etc., can help reduce the magnitude of frictional unemployment.

5. Casual Unemployment:

In industries such as building construction, catering or agriculture, where workers are employed on a day- to-day basis, there are chances of casual unemployment occurring due to short-term contracts, which are terminable any time. Thus, when a worker's contract ends after the completion of work, he has to find a job elsewhere, which he is likely to get depending on circumstances or he may get a fresh contract with the same firm when some new work is started.

Similarly, there may be causal employment of extra workers in some places like dockyards during the rush of loading or unloading. Once the work is over, these extra workers become unemployed. Casual unemployment is also found in the film industry where junior artistes work on a casual basis. A specific solution to the problem of casual unemployment is very difficult to provide.

6. Structural Unemployment:

Due to structural changes in the economy, structural unemployment may take place. Structural unemployment is caused by a decline in demand for production in a particular industry, and consequent disinvestment and reduction in its manpower requirements.

In fact, structural unemployment is a natural concomitant of economic progress and innovation in a complex industrial economy of modem times. For instance, with the economic expansion of a town, tongas may tend to go out of date with the introduction of autorickshaws. Consequently, tonga operators may become unemployed.

They have to seek jobs in other fields. This sort of unemployment is structural unemployment, because the infrastructure of the transport system has changed altogether. In a depressed industry, structural unemployment takes place on account of change in the demand pattern. On the other hand, in its counterpart, where demand has favourably improved, structural employment is generated. Thus, the problem of structural unemployment resulting in a depressed industry can be solved by absorbing the displaced workers in the expanding industries.

Many times, on account of the locational patterns of industries, structural unemployment may have a geographical impact. In these regions, where specific depressed industries have much agglomeration, unemployment will tend to be high. Such a regional problem of structural unemployment can be solved through effective geographical mobility of labour or by establishing other industries in the depressed areas.

7. Technological Unemployment:

A kind of structural unemployment may take place in an economy as a result of technological improvement. Such unemployment may be

described as technological unemployment. Due to the introduction of new machinery, improvement in methods of production, labour-saving devices etc., some workers tend to be replaced by machines. Their unemployment is termed as "technological unemployment."

Technological unemployment is basically created by introduction of machinery. But, it is a temporary phenomenon. In the long run, the development effectuated by the use of more capital leads to diversification of activities and promotion of many allied industries which would create additional job opportunities so that the unemployed workers will be absorbed in a more remunerative way.

In developed countries, technological unemployment poses no serious problem. This is because there is a gradual technological advancement and no sudden shift in their normal technology which is already at an advanced stage.

In underdeveloped countries, however, the technological problem is of a serious nature, where primitive techniques have been recently discarded and new capital intensive techniques of the advanced countries have been adopted. In the transition period, thus, artisans suffer the most. To ease the problem, therefore, new job opportunities on a large scale must be created simultaneously in other fields.

Technological advancement in a developing country creates not only the problem of technological unemployment but also causes the scrapping of existing old capital. For example, primitive equipment and cattle tend to be useless when there is mechanisation of agriculture.

Technological unemployment can be solved only by the creation of new job opportunities, as fast as possible. U.N.O. experts, thus, advise that "Rapid economic development is paradoxically the greatest cause of and the greatest cure of technological unemployment."

8. Cyclical Unemployment:

Capitalist-biased, advanced countries are subject to trade cycles. Trade cycles — especially recessionary and depressionary phases — cause cyclical unemployment in these countries. During the contraction phase of a trade cycle in an economy, aggregate demand falls and this

leads to disinvestment, decline in production, and unemployment. Lerner calls it "deflationary unemployment." Keynes emphasised that depressionary unemployment is caused by the insufficiency of effective demand.

The solution for such cyclical unemployment lies in measures for increasing the total expenditure in the economy, thereby pushing up the level of effective demand. Easy money policy and fiscal measures like deficit financing have been advocated by Keynes in this regard. Since a cyclical phase cannot be permanent, cyclical unemployment or deflationary unemployment remains only as a short--term phenomenon.

9. Chronic Unemployment:

When unemployment tends to be a long-term feature of a country it is called "chronic unemployment." Underdeveloped countries suffer from chronic unemployment on account of the vicious circle of poverty. Lack of developed resources and their underutilisation, high population growth, backward, even primitive state of technology, low capital formation, etc. are the major causes of chronic unemployment in underdeveloped economies.

6.5 CHARACTERISTICS OF UNEMPLOYMENT

Following are the some of the characterstics of unemployment-

(i) Large variations in unemployment rate across groups based on age, race, experience.

(ii) High turnover is observed in the labour market.

(iii) This turnover is mostly cyclical. Layoffs and separation are high during recession and voluntarily quits are high during booms.

(iv) Some unemployment may be for a short period of time while some unemployment may be for a long period of time.



CHECK YOUR PROGRESS

Q 1: What is unemployment?

.....

.....

Q 2: What is disguised unemployment?

.....

.....

Q 3: Mention any two characteristics of unemployment.

.....

.....

6.6 INCIDENCE OF RURAL UNEMPLOYMENT IN INDIA

The incidence of unemployment is much higher in urban areas than in rural areas.

- Unemployment rates for women are higher than those for men.
- The incidence of unemployment among the educated is much higher than the overall unemployment.
- There is greater unemployment in agricultural sector than in industrial and other major sectors

  India's rural unemployment rate stood at 7.15% and the urban rate stood at 9.62%. The overall rate of unemployment rate in the country stood at 7.97%, BSE index showed.

6.7 EMPLOYMENT GENERATION MEASURES

The government of India has initiated various employment generation programmes in the country in order to create more employment opportunities. Some of those programmes are-

1. **Integrated Rural Development Programme (IRDP):** The Integrated Rural Development Programme (IRDP), which was introduced in 1978-79 and universalized from 2nd October, 1980, aimed at providing assistance to the rural poor in the form of subsidy and bank credit for productive employment opportunities through successive plan periods. On 1st April, 1999, the IRDP and allied programmes were merged into a single programme known as Swarnajayanti Gram Swarozgar Yojana (SGSY). The SGSY emphasizes on organizing the rural poor into self-help groups, capacity-building, planning of activity clusters,

infra-structure support, technology, credit and marketing linkages.

2. **Jawahar Rozgar Yojana/Jawahar Gram Samriddhi Yojana:** Under the Wage Employment Programmes, the National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP) were started in Sixth and Seventh Plans. The NREP and RLEGP were merged in April 1989 under Jawahar Rozgar Yojana (JRY). The JRY was meant to generate meaningful employment opportunities for the unemployed and underemployed in rural areas through the creation of economic infrastructure and community and social assets. The JRY was revamped from 1st April, 1999, as Jawahar Gram Samriddhi Yojana (JGSY). It now became a programme for the creation of rural economic infrastructure with employment generation as the secondary objective.
3. **Rural Housing – Indira Awaas Yojana:** The Indira Awaas Yojana (LAY) programme aims at providing free housing to Below Poverty Line (BPL) families in rural areas and main targets would be the households of SC/STs. It was first merged with the Jawahar Rozgar Yojana (JRY) in 1989 and in 1996 it broke away from JRY into a separate housing scheme for the rural poor.
4. **Food for Work Programme:** The Food for Work Programme was started in 2000-01 as a component of EAS full form??. It was first launched in eight drought-affected states of Chhattisgarh, Gujarat, Himachal Pradesh, Madhya Pradesh, Orissa, Rajasthan, Maharashtra and Uttaranchal. It aims at enhancing food security through wage employment. Food grains are supplied to states free of cost, however, the supply of food grains from the Food Corporation of India (FCI) godowns has been slow.
5. **Sampoorna Gramin Rozgar Yojana (SGRY):** The JGSY, EAS and Food for Work Programme were revamped and merged under the new Sampoorna Gramin Rozgar Yojana (SGRY) Scheme from 1st September, 2001. The main objective of the scheme continues to be the generation of wage employment, creation of durable economic infrastructure in rural areas and provision of food and nutrition security

for the poor.

6. **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) 2005:** It was launched on February 2, 2005. The Act provides 100 days assured employment every year to every rural household. One-third of the proposed jobs would be reserved for women. The central government will also establish National Employment Guarantee Funds. Similarly, state governments will establish State Employment Guarantee Funds for implementation of the scheme. Under the programme, if an applicant is not provided employment within 15 days s/he will be entitled to a daily unemployment allowance.

   Salient features of MGNREGA are:

   I. Right based framework
   II. Time bound guarantee of employment
   III Labour intensive work
   IV. Women empowerment
   V. Transparency and accountability
   VI. Adequate funding by central government

7. **National Food for Work Programme:** It was launched on November 14, 2004 in 150 most backward districts of the country. The objective of the programme was to provide additional resources available under Sampoorna Grameen Rojgar Yojna. This was 100% centrally funded programme. Now this programme has been subsumed in the MGNREGA from Feb..... 2, 2006.

8. **National Rural Livelihood Mission: Ajeevika (2011) :** It is the skill and placement initiative of Ministry of Rural development. It is a part of National Rural Livelihood Mission (NRLM)–the mission for poverty reduction is called Ajeevika (2011). It evolves out the need to diversify the needs of the rural poor and provide them jobs with regular income on monthly basis. Self Help groups are formed at the village level to help the needy.

9. **Pradhan Mantri Kaushal Vikas Yojna:** The cabinet on March 21, 2015 cleared the scheme to provide skill training to 1.4 million youth

with an overall outlay of Rs. 1120 crore. This plan is implemented with the help of Ministry of Skill Development and Entrepreneurship through the National Skill Development Corporation. It will focus on fresh entrant to the labour market, especially labour market and class X and XII dropouts.

10. **National Heritage Development and Augmentation Yojna (HRIDAY):** HRIDAY scheme was launched (21 Jan. 2015) to preserve and rejuvenate the rich cultural heritage of the country. This Rs. 500 crore programme was launched by Urban Development Ministry in New Delhi. Initially it is launched in 12 cities: Amritsar, Varanasi, Gaya, Puri, Ajmer, Mathura, Dwarka, Badami, Velankanni, Kanchipuram, Warangal and Amarvati.

These programmes played/are playing a very crucial role in the development of the all sections of the society so that the concept of holistic development can be ensured in the real sense.



6.8 LET US SUM UP

- Unemployment problem is one of the most serious problems, which is normally found in each and every country of the world, irrespective of its economic development.
- Unemployment may be classified into: (i) open, and (ii) disguised.
- Seasonal unemployment is found in any country, whether it is developed or underdeveloped.
- When unemployment tends to be a long-term feature of a country it is called “chronic unemployment.”



6.9 FURTHER READING

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2) H.L.Bhatia, (2011) *'History of Economic Thought',* Vikas publication.

3) P.K.Dhar, *Indaian Economy,* Kalyani Publications.

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6.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Unemployment refers to a situation in which people are willing and able to work at the existing wage rate, but do not get work. Unemployment is confined not only to unskilled workers, rather a sizable number of skilled workers fail to get jobs for long periods.

Ans to Q No 2: The term "disguised unemployment" commonly refers to a situation of employment with surplus manpower, in which some workers have zero marginal productivity so that their removal will not affect the volume of total output

Ans to Q No 3: The two characteristics of Rural Unemployment are

(i) Large variations in unemployment rate across groups based on age, race, experience.

(ii) High turnover is observed in the labour market



6.11 MODEL QUESTIONS

Q 1: Discuss briefly different types of Unemloyment in India.

Q 2: Discuss the characteristics of Rural Unemployment in India.

Q 3: Discuss the various employment generation measures.

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UNIT 7 : POVERTY IN RURAL INDIA

UNIT STRUCTURE

7.1 Learning Objective

7.2 Introduction

7.3 Concept of Poverty and Poverty line

7.4 Types of Poverty

7.5 Characteristics of Poverty in Rural India

7.6 Incidence of Rural Poverty in India

7.7 Poverty Eradication Measures

7.8 Let Us Sum up

7.9 Further Reading

7.10 Answers to check your progress

7.11 Model Questions

7.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- explain the Concept of Poverty and Poverty line
- know the types of Poverty
- know the Characteristics of Poverty in Rural India
- incidence of Rural Poverty in India
- explain some Poverty Eradication Measures.

7.2 INTRODUCTION

Economic growth is meaningless if a sizeable segment of the society suffers deprivation/poverty. Growth is converted into development only when poverty is eliminated. Implying that people no longer suffer hunger, dearth or starvation; they have at least the bare minimum, viz., food, clothing, housing, education and health facilities. Despite a significant growth in GDP, poverty continues to be a major challenge in India. It persists as a social challenge and, in fact, is a stigma for a nation which has emerged as the 10th largest industrial economy.

In this unit we will discuss the concept of poverty, types of poverty, characteristics of poverty, different poverty eradication measures etc.

7.3 CONCEPT OF POVERTY AND POVERTY LINE

Poverty in India

One-third of the world's poor live in India, and there are more poor people in India alone than in the whole of Sub-Saharan Africa. Over 70% of the population lives in rural areas. Agriculture and related activities in rural India contribute to 33% of the Gross Domestic Product, and is responsible for the employment of over 60% of the workforce. Hence, when one talks of socio-economic progress in India, what is mostly relevant is how the lives of the rural people have changed. Overall statistics such as the national GDP could mask the reality in the rural life.

One of the great success stories of India is the nation's achievement in food production. The Bengal famine of 1943 was responsible for the deaths of over 4 million people and catapulted the Green Revolution in l967. New agricultural methods incorporating the use of genetically improved seeds, double cropping and expansion of farming land brought about national self-sufficiency in grain production. Constant innovations in farming techniques continue to increase unit output, but this remarkable success has not yet fully insulated the country from the impact of drought and declining water sources. Nor has the contribution of the rural sector to the nation's economic prosperity brought about the desired improvement in the lives of the 300 million poor who mostly live in the villages. That is a story the nation cannot hide.

The real story of rural India must be told with over 300 million characters who live in poverty with less than a dollar a day in income for a family of four, and whose social status in their communities is relegated to below the holy cow, the potent snake and the spirited monkey. It is a land where the elites of the villages - the upper class and the landlords - prey on the helpless, often in collusion with government officials who are supposed to help and protect them. It is a life where hope for a better future is as

distant as the burning sun, and nothing that happens around them, including the so-called "IT revolution," brings about solace.

To deal with all these situations, considerable funds are being allocated by central and state governments, and bilateral and multilateral agencies are also making their contribution, and yet, the intended beneficiaries have realised only marginal gains in the past seventy or so years. Even to a layman it is obvious that something is awfully wrong, and something different must be done if we are to expect the situation to improve in the next fifty years.

The hindrances faced by the poor in overcoming their deprivation are not limited to the lack of opportunity to gain a good education and to have a steady source of income. These people are the victims of what appears to be a permanent social and economic arrangement wherein the local elites—landowners, merchants, money lenders, officials—maintain a choke hold over the poor by consolidating more wealth and power through appropriation of additional land (either by purchase of through Govt. lease allocations), and by employing the poor at low wages, while enforcing "discipline" and silence through punitive measures. Urban interest also gain from market-based exploitation wherein rural products and services are kept at such low prices that without government subsidies, there is no profit to be gained.

Modern farming using precision agricultural tools is the key to increased output and profitability. Reliance on traditional methods by the small farmer is necessitated by a lack of adequate funds; hence the goal should be to teach new techniques and offer financial credits to implement them. Once again, private institutions can be appointed by the government and rewarded on the basis of crop output from those farms they oversee. It is important to ensure that the farmer receives all the subsidies and other incentives that he is entitled to, instead of the officials who administer them.

Special incentives should be provided for dry-land cultivation, and water management using drip irrigation, "fracturing" of wells, and water collection and storage. Use of solar and wind energy can be a good alternative to conventional power in most areas, as there is usually plenty

of sun and wind during most of the year. Once again, lowering the cost of such technologies and long-term financial credit can pave the way for reducing the cost of farming. Vigorous competition among private companies in these product areas will assure the introduction of superior technologies and cost effective solutions.

Most small farmers lack access to non-local markets for their produce, mainly as a result of inadequate market information and transport costs. The government can assist small farmers by helping them form cooperative marketing arrangements, and by offering daily price information. Further, seasonal fixed price purchase arrangements can be negotiated by the cooperatives with buyers and processing companies. The goal here should be to find ways to improve the collective bargaining power of small farmers, without direct involvement by government officials in the determination of prices.

Indian poverty is predominantly rural, where landless labourers and casual workers are the worst off economic group. Scheduled Castes and Tribes, women and female-headed families, old people, and female children face more deprivation than others. The rural poor are primarily those with limited ownership of assets— including land. The vast majority of the rural poor in India are engaged in agriculture (including fishery and livestock), either as agricultural wage laborers or marginal farmers.

There are several important characteristics of the rural poor. First, almost 42% of the rural poor fall into the most economically disadvantaged group of agricultural labour. Furthermore, more than half of this group consists of Scheduled Castes and Scheduled Tribes (SCs and STs). Overall, SCs and STs constitute about 25% of the rural population but account for more than 42% of the poor. This imbalance has prompted a series of affirmative action interventions in favour of SCs and STs.

Poverty is an extremely complex phenomenon, which manifests itself in a range of overlapping and interwoven economic, political and social deprivations. These include lack of assets, low income levels, hunger, poor health, insecurity, physical and psychological hardship, social exclusion, degradation and discrimination, and political powerlessness and

disarticulation. Interviews with the poor have suggested that the aspirations of the poor are in fact for survival, based on stable subsistence; security, based on assets and rights; and self-respect, based on independence and choice.

Therefore, policy instruments should be designed to address not only the low income and consumption aspect of poverty, but also the complex social dimensions. The range of affirmative action undertaken by government towards SCs and STs is one attempt to address some of these social dimensions. The Tenth Plan Approach Paper argues that the benefits of growth have trickled down only to a very limited extent. At least 60% of rural households and about 20% of urban households do not have a power connection; only 60% of urban households have taps within their homes, even fewer have latrines inside the house.

Environmental degradation, which was not much of a concern until quite recently, has started to accelerate, particularly in urban areas. Deterioration in the urban environment increases in slum population, and in air, river and water pollution has vastly affected the quality of life of the urban poor. Land and forest degradation in the rural areas, and over-exploitation of groundwater has seriously threatened sustainability of food production, traditional irrigation systems and even availability of safe drinking water.

Within the household, women are significantly more disadvantaged than men. They have poorer literacy rates (nationally, 54% against 76% for men)1 and even less control over decision-making within the family and over family assets. Secondly, overall two out of three children are moderately or severely malnourished, and the nutritional status of children from poor families is alarming. In addition, multiple deprivations linked to poverty, gender and caste is a deeply rooted reality in the countryside, and any comprehensive effort to reduce poverty must confront that reality and its consequences. The realities are visible in the segregated hamlets where many of the lower castes live on the fringes of rural villages, often distant from community services - schools, health centers, public hand pumps, and shops that distribute subsidized grains-in principle meant to assist the

poor.

The urban poor are characterized by extremely poor living conditions in slums, on public lands, or often on the road itself. They are generally first generation migrants with no security of jobs or housing, and are subject to police and municipal brutalities. They are in occupations where health and safety provisions either do not exist or are widely flouted, such as hawking or rickshaw pulling (or under contractors who are violating labour and factory laws), and therefore become dehumanised and criminalised by the very processes of survival. What remains to be implemented is more social control over housing space, a ban on certain types of industrial activity in metropolitan towns, and rigorous implementation of labour laws in favour of migrant populations.

As rural people are pushed to the city because of abject rural poverty and unemployment, any effort to deal with urban poverty in isolation is likely to be unsustainable, as it would bring new migrants in search of jobs and better life. In other words, it is far more expensive to create an urban unskilled but non-polluting job with human dignity and basic conditions of living than it is in the rural areas.

A study of poverty of India is of great importance today even though so many measures have been taken by various governments and International Organizations to alleviate the global poverty be mass poverty exists in vast areas of Asia, Africa, and Latin American countries. Even the developed countries also have some pockets of mass poverty. However the problem is acute in the developing countries. The problem of poverty has its origin in the feudalistic relations of production. Poverty is a moral challenge to all responsible persons-educationalist, politicians, planners and social workers alike. The poverty of Indian masses, particularly of those dependent on agriculture is proverbial, its removal is the cardinal goal of the programme for national socio-economic reconstruction. Poverty is a complex event in its content and scope.

The Indian economy was under the British rule for a period of nearly 200 years. It has a long story of systematic exploitation. Thus, in ‘1947 when India won freedom we inherited a crippled economy and a peasantry

steeped in poverty.

In India, this poverty is treated as an absolute phenomenon where significant section of the society is deprived of minimum requirements of cereals, pulses, milk, vegetables, clothing, calorie intake and continues a bare subsistence level.

Poverty is a peculiar problem from which various countries of the world have been suffering. There cannot be a common definition of poverty, which can be broadly accepted everywhere. Broadly, it can be said: Poverty refers to a state in which an individual is unable to fulfill even the basic necessities of life. The minimum requirements include food, clothing, housing, education and health facilities. In a country, where a big mass of the population is deprived of even minimum amenities of life for a very long period, then such a country suffers from a vicious circle of poverty.

Poverty Line is a cut-off point on the line of distribution, which usually divides the population of the country as poor and non-poor. The concept of poverty line is used to measure the extent of poverty in a country. People having income below the poverty line are called “Poor” and people with income above poverty line are called “Non-Poor”. Poverty line tries to capture the socially acceptable minimum living standards, which the society tries to fulfill.

7.4 TYPES OF POVERTY

There are two types of poverty-

1. Relative poverty
2. Absolute Poverty

Relative poverty

Meaning: Relative poverty refers to poverty of people, in comparison to other people, regions or nations.

Example: If Ram has lower income in comparison to Shyam, then we can say that Ram is relatively poor.

Importance: It helps in understanding the relative position of different segments of the population.

Limitation: It only reflects the relative position of different segments of the population in the income hierarchy. It does not consider, how pocr the poor person is or whether he is deprived of the basic minimum requirements of life or not.

Absolute Poverty

Meaning: Absolute poverty refers to the total number of people living below poverty line.

Example: According to absolute measure, around 22% of India's population is below poverty line.

Importance: The concept of absolute poverty is relevant for the less developed countries like India, where there is abundance of poverty. It helps to measure the number of poor people.

Limitation: The method of "Poverty Line" used to measure absolute poverty does not differentiate between the very poor and the other poor. Moreover it does not consider social factors that generate and are responsible for poverty, like illiteracy, ill health, lack of access to resources discrimination or lack of civil and political freedoms.

7.5 CHARACTERISTICS OF POVERTY

1. **Hunger, starvation and malnutrition:** Starvation and hunger are the basic problems of the poorest households. Malnutrition is alarmingly high among the poor.
2. **Poor Health:** They are generally physically weak due to ill health, disability or serious illness. Their children are less likely to survive or be born healthy.
3. **Limited Economic Opportunities:** They have very limited economic opportunities due to lack of literacy and skills. So, they face unstable employment. They are not able to negotiate their legal wages from employers and are exploited.
4. **Debt Trap:** They borrow from money lenders, who charge high rates of interest, that push them into chronic indebtedness.
5. **Lack of facilities of electricity and water:** Most poor households do not have access to electricity. Their primary cooking fuel is firewood

and cow dung cake. A large section of poor people do not even have access to safe drinking water.

6. **Gender Inequality:** Gender inequality prevails within the family in regard to participation of gainful employment, education and in decision-making. Poor women receive Lack of access to safe less care on their way to motherhood**.**
7. **Bigger Families:** The poor families are bigger in size, sectionwhich make their economic condition worse.



CHECK YOUR PROGRESS

Q 1: What is poverty?

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Q 2: Distinguish between relative and absolute poverty.

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Q 3: What is poverty line?

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7.6 INCIDENCE OF RURAL POVERTY IN INDIA

It is said that rural India is the heart of India. In reality, the life of people living in rural areas is marked with severe poverty. Inspite of all the efforts, the condition of poor villagers is far from satisfactory. The report on Socio-economic and Caste Census (2011) reveal the following facts:

- **SC, ST:** Of all the rural households, around 18.46 percent belongs to scheduled castes, and around 10.97 belongs to scheduled Tribes.
- **Major source of income:** Manual causal labour jobs and cultivation are the major sources of income for rural people. Nearly 51 percent

of all households are economically engaged in manual casual labour and nearly 30 percent of them is engaged in cultivation.

- **Deprived:** Around 48.5 percent of rural households are deprived according to the census.
- **Assets:** Only 11.04 percent of families own a refrigerator while there is a vehicle (including two-wheeler, boat, etc.) in around 29.69 percent of the rural houses.
- **Income Tax:** Only 4.58 percent of rural households pay income tax.
- **Land ownership:** Around 56 percent of village households don't own a land.
- **Size of rural houses:** The houses of around 54 percent rural families consist of either one or two-rooms. Out of them, around 13 percent lives in a one-room house

7.7 POVERTY ERADICATION MEASURES

Allevation (reduction) of poverty remains a major challenge before the nation. While there has been a steady decline in poverty over the last two decades, the total number of poor people has remained constant because of growth in population. The government has specifically designed anti—poverty programmes for generation of both self-employment and wage employment.

Let us discuss the various "Self—Employment Programmes and "Wage Employment Programmes" initiated by the government.

Self-Employment Programmes

Some of the self-employment programmes initiated by the Government are:

1. **Rural Employment Generation Programme (REGP):** This programme was startedby the government to create self—employment opportunities in the rural areas and smalltowns.
   - It was implemented by Khadi and Village Industries Commission.
   - Under this programme, one could get financial assistance in the form of bankloans to set up small industries.

2. **Prime Minister's Rozgar Yojana (PMRY):** Under this programme, the educatedunemployed from low income families in rural and urban areas were given financial help toset up any kind of enterprise that generates employnment.
   - PMRY attempted to generate employment by setting up 7 lakh micro-enterprises during the Eighth Plan (1992-97).
   - By 2003-04, 3 million people got employment under this scheme.
3. **Swamjayanti Gram Swarozgar Yojana (SGSY):** SGSY aims at promoting micro enterprises and to bring the assisted poor families (Swarozgaris) above the poverty line, by organizing them *into Self-Help Groups (SHGs).
   - People who wish to benefit from this scheme, are encouraged to form self-help groups (SHG).
   - Initially they are encouraged to save some money and lend among themselves as small loans.
   - Later, through banks, the government provides partial financial assistance to SHG's, which then decide, whom the loan is to be given, for self-employment activities.

Wage Employment Programmes: The government has launched various programmes to generate wage employment for the poor unskilled people living in rural areas. Some of them are:

1. **Sarnpoorna Grameen Rozgar Yojana (SGRY):** The scheme aims to provide additional and supplementary wage employment by undertaking labour intensive work, thereby Providing food security and increasing nutritional levels.
   - Wages were paid as a combination of food grains and cash.
   - The scheme of SGRY is open to all rural poor who need wage employment and desire to do manual and unskilled work in and around their village or habitat.
2. **National Food for Work Programme (NFFWP):** This programme was launched in 2004 with the objective of intensifying the generation of supplementary wage employment.
   - NFFWP was initially implemented in 15O most backward

districts of the country, to provide additional resources apart from the resource available under SGRY.

- The programme was implemented as a 100% Centrally Sponsored Scheme.
- This programme was incorporated in Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2005
- MGNREGA aims at enhancing the livelihood security of people in rural areas by guaranteeing 100 days of wage-employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work.
- All those among the poor who are ready to work at the minimum wage, can report for work in areas, where this programme is implemented.



7.8 LET US SUM UP

- Poverty is a peculiar problem from which various countries of the world have been suffering.
- There are two types of poverty- Relative poverty and Absolute Poverty
- Poverty Line is a cut-off point on the line of distribution, which usually divides the population of the country as poor and non-poor.
- The government has specifically designed anti—poverty programmes for generation of both self-employment and wage employment.



7.9 FURTHER READING

1) B.N. Ghosh and Rama Ghosh,(2017)'*Concise History of Economic Thought'.* Himalaya Publishing House.

2) H.L.Bhatia, (2011) *'History of Economic Thought',* Vikas publication.

3) P.K.Dhar, *Indaian Economy,* Kalyani Publications.

4) G. Datt and A. Mahajan, (2016) *Indian Economy,* S. Chand.



7.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Poverty refers to a state in which an individual is unable to fulfill even the basic necessities of life.

Ans to Q No 2: Relative poverty refers to poverty of people, in comparison to other people, regions or nations whereas Absolute poverty refers to the total number of people living below poverty line.

The concept of Relative poverty helps in understanding the relative position of different segments of the population whereas concept of absolute poverty is relevant for the less developed countries like India, where there is abundance of poverty. It helps to measure the number of poor people.

Ans to Q No 3: Poverty Line is a cut-off point on the line of distribution, which usually divides the population of the country as poor and non-poor.



7.11 MODEL QUESTIONS

Q 1: Discuss briefly the characteristics of poverty in Rural India.

Q 2: Discuss the incidence of Rural poverty in India.

Q 3: Describe briefly the various poverty eradication programmes launched by the government of India.

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