

11th Economics Lesson 4 Notes in English

4. Rural Economics

'India Lives in Villages' – Mahatma Gandhi

Introduction

- Rural Economics deals with the application of **economic principles** in understanding and developing rural areas.
- In general, rural areas are geographical areas located outside **towns** and **cities**.
- According to **the Census of India**, the basic unit for rural areas is the revenue village.
- **Rural economy** refers to villages, and rural community refers to people living in villages.



- **Rural areas** have **problems** like backwardness of agriculture, low income, low employment opportunities, poverty, low infrastructural development, low illiteracy, low labour productivity,
- Lower prices of agricultural products, surplus labour force, larger population, high level of migration and high dependency on natural resources and nature.
- According to the **2011 Population Census**, there are 6,40,867 villages in India and 68.84 percent of the 121 crore total population live in rural areas.

Features of Rural Economy

- Main characteristics of rural economy are:

1. Village is an Institution:

- The Village is a **primary institution** and it satisfies almost all the needs of the rural community.
- The rural people have a feeling of belongingness and a sense of **unity** towards each other.

2. Dependence on Agriculture:

- The rural economy depends much on **nature** and **agricultural activities**.
- Agriculture and allied activities are the **main occupation** in rural areas.

3. Life of Rural People:

- Lifestyles in villages are **very simple**.
- **Public services** like education, housing, health and sanitation, transport and communication, banking, roads and markets are limited and unavailable.
- Rural people rely much on **faith, superstitions and traditional cultural practices**.
- **The standards of living** of majority of rural people are poor and pitiable. In terms of methods of production, social organization and political mobilization, rural sector is extremely backward and weak.
- In recent years, **the incidence of alcohol drinking** has gone up.

4. Population Density:

- Population density, measured by **number of persons living per sq. km** is very low and houses are scattered in the entire villages.

5. Employment:

- There exists unemployment, seasonal **unemployment** and **underemployment** in rural areas.
- **Unemployment** refers to the situation of people with **willingness** and **ability** to work but is not getting employed.
- **Underemployment** also called **disguised unemployment** is the situation of people employed in **excess, over and above the requirement**.
- Disguised unemployment is a situation Where people work but no increase in production. Both the situations are common in **rural areas**.

6. Poverty:

- Poverty is a condition where the **basic needs of the people** like food, clothing and shelter are not being met.
- According to the **2011-12 estimates**, About 22 crores of people in rural areas are poor and live below the poverty line.

7. Indebtedness:

- People in rural areas are highly indebted owing to **poverty** and **underemployment**, lack of farm and non-farm employment opportunities, low wage employment, seasonality in production, poor marketing network etc.
- A famous British writer **Sir Malcolm Darling (1925)** stated that 'An Indian farmer is born in debt, lives in debt, dies in debt and bequeaths debt'.
- Since formal **loan facilities** are not available to the villagers, they depend on local money lenders who, like a parasite, squeeze the villagers.
- Hence the villagers commit suicide frequently.

8. Rural Income:

- The income of the rural people is constrained as the **rural economy** is not sufficiently vibrant to provide them with **jobs** or **self – employment** opportunities.
- Large proportion of labourers and skilled persons are underemployed and the scope for increasing their income is limited.

9. Dependency:

- **Rural households** are largely dependent on social grants and remittances from family members working in urban areas and cities.

10. Dualism:

- Dualism means the co existence of two extremely different features like **developed** and **underdeveloped**, organised and unorganised, traditional and modern, regulated and unregulated, poor and rich, skilled and unskilled and similar contradicting situations in a region.
- These characteristics are very common in rural areas.

11. Inequality:

- The distributions of **income**, **wealth** and **assets** are highly skewed among rural people.
- There are number of **historical**, **social**, **economic** and **political** reasons behind the existence of inequality.
- **Landlord sand landowners** dominate the rural activities.
- **Land**, **livestock** and **other assets** are owned by a few people.

12. Migration:

- **Rural people** are forced to migrate from villages to urban areas in order to seek gainful employment for their livelihood.
- This character of the development gives rise to the formation of cities.
- **Enmity** and **Lack of basic amenities** in rural areas also push the people to migrate to urban areas.
- This is called ' **double poisoning**' by **Schumacher**, one side villages are empty, on the other side towns are congested.
- His book is " **Small is Beautiful** "describes the dangers of the present kind of development.

Meaning of Rural Development

- **Rural Development** is defined as an overall improvement in the economies and social well being of villagers and the institutional and physical environments in which they live.

- According to the **World Bank**, 'Rural Development is a strategy designed to improve the economic and social life of a specific group of people - rural poor'.
- In short, rural development is a process of **improving the rural areas**, rural people and rural living.

Need for Rural Development

- Rural development is very urgent in the context of the overall growth and development of Indian economy due to the following reasons.
- A major share of population lives in rural areas, and their development and contributions are very much supportive for the nation building activities.
- India cannot be developed by retaining rural as backward.
- The rural economy supports the urban sectors by way of supplying **drinking water, milk, food and raw materials**.
- Hence, **the backwardness of the rural sector** would be a major impediment to the overall progress of the economy.
- Improvements in education, health and sanitation in villages can help avoid many urban problems namely, begging, rick picking and road side slumming.
- **Development of agriculture** and allied activities are necessary for providing gainful employment in rural areas and improving overall food production.
- **The evils of brain-drain** and **rural urban** migration can be reduced if rural areas are developed.
- In order to better utilise the unused and under-utilised resources, there is a need to develop the rural economy.
- Rural development should minimise the gap between rural and urban areas in terms of the provision of infrastructural facilities.
- It was called as **PURA** by former **President Abdul Kalam**.
- In order to improve the nation's status in the global arena in terms of the economic indicators like **Human Development Index (HDI)**,
- **Women Empowerment Index (WEI)**, **Gender Disparity Index (GDI)**,
- **Physical Quality of Life Index (PQLI)** and **Gross National Happiness Index (GNHI)** should be given due attention.

Problems of Rural Economy

- Rural areas are facing number of problems relating to,
- 1) **People**, 2) **Agriculture**, 3) **Infrastructure**, 4) **Economy**, 5) **Society and Culture**, 6) **Leadership** and 7) **Administration**.

The problems of rural economy are discussed below.

- **People Related Problems:** The problems related to **individuals** and their standard of living consist of illiteracy,
- Lack of technical knowhow, low level of confidence, dependence on sentiments and beliefs etc.
- **Agriculture Related Problems:** The problems related to agriculture include
- Lack of expected awareness, knowledge, skill and attitude,
- Unavailability of inputs, Poor marketing facility, Insufficient extension staff and services,
- **Multidimensional tasks** to extension personnel, Small size of land holding, Sub-division and fragmentation of landholdings,
- Absence of infrastructure to work and stay in rural areas, **Primitive technology** and **low adoption of modern technologies**
- **Reduced public investment** and absence of role for farmers in fixing the prices for their own products..



- **Infrastructural Related Problems:** Poor infrastructure facilities like, water, electricity, transport, educational institutions, communication, health, employment, storage facility, banking and insurance are found in rural areas.
- **Economics related Problems:** The economic problems related to rural areas are: inability to adopt high cost technology, high cost of inputs,
- Under privileged rural industries, low income, indebtedness and existence of inequality in land holdings and assets.
- In fertile areas, a few absentee **landlords own large area** and they do not evince greater Interest in improving the performance of agriculture.

- **Leadership Related Problems:** The specific leadership related problems found in rural areas are:
- Leadership among the hands of inactive and incompetent people, self-interest of leaders, biased political will, less bargaining power and negotiation skills and dominance of political leaders.
- **Administrative Problems:** The rural administrative problems consist of political interference, lack of motivation and interest,
- Low wages in villages, improper utilization of budget, and absence of monitoring and implementation of rural development programme.
- Rural poverty, rural unemployment, rural industries, micro finance, rural health and sanitation and rural infrastructures are the issues that are considered for detailed discussion.

Rural Poverty

- Rural poverty refers to the existence of **poverty in rural areas**.
- **Poverty in India** has been defined as the situation in which an individual fails to earn sufficient income to buy the basic minimum of subsistence.
- **Poverty line** is a hypothetical line based on income or consumption levels that divides the population as people below poverty line and above poverty line.
- On the basis of **recommended nutritional intake**, persons consuming less than 2,400 calories per day in rural areas are treated as they are under rural poverty.
- As per the **Planning Commission** estimates, the percentage of people living below poverty in rural areas was **54.10** which accounted for **33.80 per cent during 2009-10**.
- Poverty is deepest among members of scheduled castes and tribes in the rural areas.
- In **2005** these groups accounted for **80 per cent of rural poor**, although their share in the total rural population is much smaller.
- In **2015**, more than **80 crores of India's people** lived in villages. One quarter of village population (22 crores people) list below the poverty line.
- India is the home to **22 per cent of the world's poor**.
- It is needless to state that the country has been successful in reducing the proportion of poor people, in spite of increasing of population.

Causes for Rural Poverty

- Various forces responsible for **rural poverty** are highlighted below:
- The **distribution of land** is highly skewed in rural areas.
- Therefore, majority of rural people work as hired labour to support their families.
- **Lack of Non-farm Employment:** Non-farm employment opportunities do not match the increasing labour force.

- The excess supply of labour in rural areas reduces the wages and increases the incidence of poverty.
- **Lack of Public Sector Investment:** The root cause of rural poverty in our country is lack of public sector investment on human resource development.
- **Inflation:** Steady increase in prices affects the purchasing power of the rural poor leading to rural poverty.
- **Low Productivity:** Low productivity of rural labour and farm activities is a cause as well as the effect of poverty.
- **Unequal Benefit of Growth:** Major gains of economic development are enjoyed by the urban rich people leading to concentration of wealth.
- Due to defective economic structure and policies, gains of growth are not reaching the poor and the contributions of poor people are not accounted properly.
- **Low Rate of Economic Growth:** The rate of growth of India is always below the target and it has benefited the rich.
- The poor are always denied of the benefits of the achieved growth and development of the country.
- **More Emphasis on Large Industries:** Huge investment in large industries catering to the needs of middle and upper classes in urban areas are made in India.
- Such industries are capital-intensive and do not generate more employment opportunities.
- Therefore, poor are not in a position to get employed and to come out from the poverty in villages.
- **Social Evils:** Social evils prevalent in the society like custom, believes etc. increase unproductive expenditure.

Remedial Measures to Rural Poverty

- Since **rural unemployment** and **rural poverty** are interrelated, creation of employment opportunities would support elimination of poverty.
- **Poverty alleviation schemes and programmes** have been implemented, modified, consolidated, expanded and improved over time.
- However, unemployment, begging, rag picking and slumming continues.
- Unless employment is given to all the people poverty cannot be eliminated.
- Who will bell the cat?

Poverty Eradication Schemes	
Schemes	Year of launch
20 Point Programme	1975
Integrated Rural development Programme(IRDP)	1976

Training Rural Youths for Self-Employment (TRYSEM)	1979
Food for Work Programme (FWP)	1977
National Rural Employment Programme (NREP)	1980
Rural Landless Employment Guarantee Programme(RLEGP)	1983
Jawahar Rozgar Yojana(JRY)	1989
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	2006

Development Schemes	
Pradhan Mantri Adarsh Gram Sadak Yojana (PMAGSY)	2010
Indira Awas Yojana	1985
Bharat Nirman Yojana	2005
Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	2005
Rajiv Awas Yojan (RAY)	2009
National Rural Health Mission	2005
National Rural Livelihood Mission	2011
National Food Security Scheme 2013	

Rural Unemployment

- **Unemployment** is a situation in which a person is actively searching for employment but unable to find work at the **prevailing wage rate**.

- It is a **tragic waste of manpower** and under utilisation of human resources.
- As long as there is unemployment, social problems cannot be stopped; and, economy cannot achieve development.



- **Peter Diamond, Dale Mortensen and Christopher Pissarides** shared 2010 Economics Nobel prize for jobs study.
- Their model, called **DMP model**, helps us understand how regulation and economic policies affect unemployment, job vacancies and wages.
- As on **4th October 2016**, rural unemployment was **7.8 per cent** which is less than urban unemployment (10.1 per cent) and all India unemployment rate (8.5 per cent).
- Rural unemployment in India are categorised into three classes:
- (i) **Open Unemployment**
- (ii) **Concealed Unemployment or Underemployment and**
- (iii) **Seasonal Unemployment.**
- In **Open Unemployment**, unemployed persons are identified as they remain without work.
- This type of unemployment is found among **agricultural labourers, rural artisans and literate persons.**
- In **Concealed Unemployment**, it is difficult to identify who are under employed; for many are employed below their **productive capacity** and even if they are withdrawn from work the output will not diminish.
- It is also called **Disguised Unemployment or Underemployment.**
- This type of unemployment is found among small and marginal farmers, livestock rearers and rural artisans.
- This kind of unemployment situation is more serious in villages than in urban areas. Disguised unemployment in rural India is **25 per cent to 30 per cent.**
- In **Seasonal Unemployment**, employment occurs only on a particular season supported by natural circumstances and the remaining period of a year the rural people are **unemployed or partially employed.**
- In seasons like ploughing, sowing, weeding and harvesting there is scarcity of labour and in the rest of the year there is unemployment.
- It is pathetic to note that a farmer who cultivates one crop in a year usually goes without a job for almost **5 to 7 months** and ultimately commit suicide.
- According to the **Agricultural Labour Enquiry Committee Report**, "the extent of under employment is on the average, **82 days of unemployment** in a year for **84 per cent of agricultural labours.**"

Causes for Rural Unemployment

- **Causes for rural unemployment** in India are discussed below: **Absence of skill development and employment generation:**
- **Lack of Government initiatives** to give required training and then to generate employment opportunities.
- **Seasonal Nature of Agriculture:** Agricultural operations are seasonal in nature and depend much on nature and rainfall.
- Therefore, the **demand for labour** becomes negligible during off-season. So, non-farm employment opportunities must be created.
- **Lack of Subsidiary Occupation:** Rural people are not able to start subsidiary occupations such as poultry, rope making, piggery etc.
- Due to **shortages of funds** for investment and lack of proper marketing arrangements.
- This **restricts the employment** opportunity and rural family incomes.
- **Government** must arrange **funds** for these people.
- However, as now they pay huge interest to the local money lenders, for they are unable to **get loans from formal sources**.
- **Mechanization of Agriculture:** The landlords are the principal source of employment to the farm labour.
- Mechanization of agricultural operations like ploughing, irrigation, harvesting, threshing etc.
- **Reduces employment opportunities** for the farm labour.
- **Capital-Intensive Technology:** The expanding private industrial sector is largely found in urban areas and not creating additional employment opportunities due to the **application of capital intensive technologies**.
- Government must establish firms to absorb **surplus labour power**.
- **Defective System of Education:** The present system of education has also aggravated the rural unemployment problem.
- Large number of **degree producing institutions** has come in the recent years. Students also want to get degrees only, not any skill.
- **Degrees** should be **awarded** only on the **basis of skills** acquired.
- The unemployed youth should get sufficient facilities to update their skills.

Remedies for Rural Unemployment

- In order to **reduce rural unemployment** in the country there is a need to take integrated and coordinated efforts from various levels.
- A few remedial measures are listed below:
- **Subsidiary Occupation:** To reduce the **seasonal unemployment** rural people should be encouraged to adopt subsidiary occupations.

- **Loans** should be granted and proper arrangements should be made for marketing their products.
- **Rural Works Programme:** Rural Works Programme such as construction and maintenance of roads, digging of drains, canals, etc should be planned during off-season to provide gainful employment to the unemployed.
- **Irrigation Facilities:** Since rainfall is uncertain irrigation facilities should be expanded to enable the farmers to adopt multiple cropping.
- The increased cropping intensity creates additional demand for labour.
- **Rural Industrialization:** To provide employment new industries should be set up in rural areas.
- This will open new fields of employment and also change the attitude of rural people towards work.
- For this, government has to do something.
- Private sector would not take up this responsibility.
- **Technical Education:** Employment oriented courses should be introduced in schools and colleges to enable the literate youth to start their own units.

Rural Industries

- **Rural industries** embrace all industries which are run by rural people in rural areas.
- These industries are based primarily on the utilization of locally available raw materials, skills and small amount of capital.
- The rural industries can be broadly classified into a) cottage industries, b) village industries, c) small industries, d) tiny industries and e) agro-based industries.

Cottage Industries:

- Cottage industries are generally associated with **agriculture** and provide both **part-time** and **full-time jobs in rural areas**.
- The important characteristics of this **type of industries** are as follows:
- These industries are carried out by **artisans in their own homes** at their own risk and for their own benefit.
- **Artisans** may **combine** this work with **another regular job**.
- No or little outside labour is employed. Normally, the members of the household provide the necessary labour.
- These industries are **generally hereditary** and **traditional** in character.
- No or little power is used.
- These industries usually **serve the local market** and generally work on the orders placed by other industries.
- Examples of cottage industries are mat, coir and basket making industries.

- The principal cottage industries of India are **hand-loom weaving** (cotton, silk, jute, etc.) pottery, washing soap making, conch shell, handmade paper, horn button, mother-of-pearl button, cutlery, lock and key making industries.

Village Industries:

- Village industries are traditional in nature and depend on **local raw-material**.
- They cater to the needs of **local population**. Examples of village industries are **gur** and **khandsari**, cane and bamboo basket, shoe making, pottery and leather tanning.
- These are almost similar to the cottage industries.

Small Scale Industries (SSIs):

- Most small scale industries are **located near urban centres**.
- They produce goods for local as well as **foreign markets**.
- Examples of such **small scale industries** are manufacture of sports goods, soaps, electric fans, foot wear, sewing machines and handloom weaving.
- The data of the **National Sample Survey Organisation** (NSSO, 2002-03) reveals that only about 30 per cent of the poor borrowers get credit from the formal banks.
- According to the **All India Debt and Investment Survey (AIDIS) 2002**, the share of institutional credit has declined from 66.3 per cent in 1991 to 57.1 percent in 2002, with a corresponding increase in informal channels of credit (RBI, 2006).
- SSIs are also known as **Micro, Small & Medium Enterprises (MSMEs)**.
- They are defined and categorized by the Micro, Small & Medium Enterprises **Development Act, 2006**.
- The Act categorizes different scale of industries on the **basis of investment** in plant and machinery in case of **manufacturing industries** and on the basis of investment in equipment in case of service sector industries.

Agro-based Industries:

- These industries are based on the **processing of agricultural produce**.
- Agro-based industries may be organised on a cottage-scale, smallscale and large-scale.



- These industries tend to **develop household settlements** around them as they employ more labour on a regular basis.
- Examples are textile, sugar, paper, vegetable oil, tea and coffee industries.

Rural Indebtedness

- **Rural indebtedness** refers to the situation of the rural people **unable to repay the loan** accumulated over a period.
- Existence of the rural indebtedness indicates the **weak financial infrastructure** of our country, in reaching the needy farmers, landless people and the agricultural labourers.
- The farmers borrow **loan** for various purposes like **agricultural operations**, supporting the family in the lean season or purchase of equipments in the recent years, expenses on celebrations, liquor consumption and medicines go on increasing without any limit.
- Due to **lower income**, the villagers are unable to repay **the loans or pay the pending interest on the principal amount**.



- According to the **Government of India's Socio Economic and Caste Census (SECC)**, 2015, around 73 per cent of households in India are rural.
- Of these, 18.5 per cent are scheduled caste households and 11 per cent belong to the scheduled tribe category leads to perpetuate indebtedness of the farmer.

Measures to Remove Rural Indebtedness

- Several remedial measures have been introduced to **reduce rural indebtedness**.
- It includes regulation of money lenders, development of rural banks, Regional Rural Banks (**RRBs**), Micro Finance, formation of Self Help Groups (**SHGs**), Primary Cooperative Banks and Land Development Banks, Crop Loan Schemes, Lead Bank Schemes, Micro Units Development and Refinance Agency Bank (**MUDRA**), promotion of subsidiary occupation, off farm employment opportunities, skill development programmes and so on.
- However, the interest rate **charged plus transaction cost for poor people** and Self- Help Groups are much higher as compared to that for rich people.
- For instance, **education loan is costlier than car loans**.

Regional Rural Banks (RRBs)

- Regional Rural Banks came into existence based on the recommendation made by a working group on rural banks appointed by the **Government of India in 1975**.
- **RRBs** are recommended with a view to **developing rural economy** by providing **credit** and other **facilities** particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.
- RRBs are set up by the joint efforts of **the Centre and State Governments** and **commercial banks**.
- At present, there are **64 Regional Rural Banks** in India.
- The RRBs confine their lending's only to the weaker sections and their lending rates are at par with the prevailing rate of **cooperative societies**.

Features of Rural Indebtedness

- Nearly **three fourth of rural families** in the country are in debt.
- The amount of **debt is heavier** in the case of small farmers.
- **Cultivators** are more **indebted** than the **non-cultivators**.
- Most of the debts taken are short term and of unproductive nature.
- The proportion of debts having higher rates of **interest is relatively high**.
- Most of the villagers are **indebted to private agencies** particularly **money lenders**.

Causes for Rural Indebtedness

- The causes for rural indebtedness may be summarized as below:
- **Poverty of Farmers**: The vicious circle of poverty forces the farmers to borrow for consumption, cultivation and celebrations.
- Thus, poverty, debt and high rates of interest hold the farmer in the grip of money lenders.
- **Failure of Monsoon**: Frequent failure of monsoon is a curse to the farmers and they have to suffer due to the failure of nature.
- Therefore, farmers find it difficult to identify good years to repay their debts.
- **Litigation**: Due to land disputes litigation in the court compels them to borrow heavily.
- Being uneducated and ignorant they are caught in the litigation process and dry away their savings and resources.
- **Money Lenders and High Rate of Interest**: The rate of interest charged by the local money lenders is very high and the compounding of interest leads to perpetuate indebtedness of the farmer.

Micro Finance

- **Micro finance**, also known as **micro credit**, is a financial service that offers loans, savings and insurance to **entrepreneurs** and **small business owners** who do not have access to traditional sources of capital, like banks or investors.

- The goal of micro financing is to **provide individuals with money to invest** in themselves or their business.
- Microfinance is available through **micro finance institutions**, which range from small non-profit organizations to larger banks.
- In India, **Non Government Organizations (NGOs)** play a pivotal role in the **development of micro finance service**.
- Microfinance industry in India have grown vastly in the last two decades.
- In **2009**, the total number of micro finance institutions in India was around **150** (Tripathi, 2014).

Self-Help Groups (SHGs)

- Self Help Groups are **informal voluntary association** of poor people, from the similar socio-economic background, up to **20 women** (average size is 14).
- They come together for the purpose of solving their common problems through self help and mutual help.



- The SHG promotes small savings among its members.
- They save small amounts **Rs.10 to Rs.50 a month**.
- The savings are kept with a bank. After saving regularly for a minimum of 6 months, they lend small amounts to their members for interest.
- Based on their performance, they are linked with the bank for further assistance under **SHG Bank Linked Programme (SBLP)** started in 1992.
- It is a holistic **programme of micro-enterprises** covering all aspects of self-employment, organization of the rural poor into self Help groups and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing.
- The main objective of this **programme** is to bring the beneficiaries above the poverty line by providing income generating assets to them through bank credit and government subsidy.
- **NABARD** estimates that there are **2.2 million SHGs** in India, representing **33 million** members that have taken loans from banks under its linkage program to date.
- **The SHG Banking Linkage Programme** since its beginning has been predominant in certain states, showing spatial preferences especially for the southern regions like Andhra Pradesh, Tamil Nadu, Kerala and Karnataka.
- These SHGs have helped the Banks to accumulate more funds.

- Actually the banks charge higher interest for the SHGs than car owners.
- In 2009-10, the number of new SHGs having **credit-linked** with banks was **1.59 million** and a **bank loan of Rs.14,453 Crores** was disbursed to these SHGs.
- Further, the number of SHGs which maintained savings accounts with banks at the end of **March 2010 was 6.95 million**.
- Under **NABARD SHG Linkage Programme**, SHGs can borrow credit from bank on showing their successful track record of regular repayments of their borrowers.
- It has been successful in the states like **Andhra Pradesh, Tamil Nadu, Kerala and Karnataka** during **2005-06**.
- These States received approximately 60 per cent of SHG linkage credit (**Taruna and Yadav, 2016**).

Major Features of SHGs are

- SHG is generally an economically homogeneous group formed through a process of self-selection based upon the affinity of its members.
- Most SHGs are women's groups with membership ranging between 10 and 20.
- SHGs have well-defined rules and by-laws, hold regular meetings and maintain records and savings and credit discipline.
- SHGs are self-managed institutions characterized by participatory and collective decision making.

Micro Units Development and Refinance Agency Bank (MUDRA BANK)

- It is a public sector financial institution which provides loans at low rates to microfinance institutions and non-banking financial institutions which then provide credit to **Micro, Small and Medium Enterprises (MSMEs)**.
- It was launched on **8th April 2015**. The principal objectives of the **MUDRA BANK** are the following .



- Regulate the lender and the borrower of microfinance and bring stability to the microfinance system.

- **Extend finance and credit** support to **Microfinance Institutions (MFI)** and agencies that lend money to small-businesses, retailers, self-help groups and individuals.
- Register all MFIs and introduce a system of performance rating and accreditation for the first time.
- Offer a **Credit Guarantee scheme** for providing guarantees to loans being offered to micro businesses.
- Introduce appropriate technologies to assist in the process of efficient lending, borrowing and monitoring of distributed capital.

Rural Health, Nutrition and Sanitation

- **Health** is an important component for ensuring better **quality of life**.
- Large masses of the Indian poor continue to fight hopeless and constantly losing the battle for survival and health.
- Indian rural people are **suffering** with various **epidemics** such as small pox, cholera, malaria, typhoid, dengue, chicken pox, etc.
- This is mainly due to **lack of medical facilities**, deep **ignorance** and **poverty**.
- Indian Constitution clearly lays down that "States shall regard the raising of the level of nutrition and standard of living of its people and improvement of public health as among its primary duties".
- To meet this constitutional directive. **Several programmes for nutrition** have been implemented.
- These include **Supplementary Feeding Programmes** including Mid Term Meal Programme, Nutrition Education through Printed Media and Television and Compulsory Fortification of Common Salt with Iodine.
- Still in terms of health standard, Sri Lanka is better than India, and in India, Kerala is better than Tamil Nadu.

National Rural Health Mission

- **The National Rural Health Mission (NRHM)** was launched on 12th April 2005, to provide accessible, affordable and quality health care to the rural population, especially the vulnerable groups.



- **NRHM** seeks to provide equitable, affordable and quality health care to the rural population, especially **the vulnerable groups**.
- NRHM focuses on Reproductive, Maternal, Newborn, Child Health and Adolescent (RMNCH+A) Services.
- The emphasis here is on strategies for improving maternal and child health through a continuum of care and the life cycle approach.

Rural Infrastructure

Rural Housing

- House is one of the **basic needs** of every family.
- Provision of better housing facilities increases **the productivity of labour**.
- **The housing problem** is getting aggravated due to rapid adoption of nuclear families.
- Housing does not mean provision of house alone but also proper water supply, good sanitation, proper disposal of sewage etc.
- The problem of housing can be tackled by the **development of low cost technology** in house construction, provision of adequate housing finance and provision of land sites to landless workers in rural areas.
- As per the **NSSO** data, 38 per cent of the households lived in with one room while another 36 per cent lived with two rooms.

Rural Market

- **Road Market** refers to the infrastructure created to buy and sell the products produced in rural areas and also to purchase the needed products and farm inputs produced in urban and other regions.
- The **rural marketing** is still **defective as farmers** lack bargaining power, long chain of middlemen, lack of organisation, insufficient storage facilities, poor transport facilities, absence of grading, inadequate information and poor marketing arrangements.

Rural Roads

- Road transport is an important **constituent of the transport system**.
- Rural roads constitute the **very life line of rural economy**.
- A **well-constructed road network** in rural area would bring several benefits including the linking of remote villages with urban centres, reduction in cost of transportation of agricultural inputs and promotion of marketing for rural produces.
- It helps the **farmers to bring their produce** to the **urban markets** and to have access to distant markets and other services.

Rural Electrification

- **Rural Electrification** refers to providing electrical power to rural areas.
- The main aims of rural electrification are to provide electricity to agricultural operations and to enhance **agricultural productivity**, to increase cropped area, to promote rural industries and to lighting the villages.
- In order to improve this facility the supply of electricity is almost free for agricultural purpose in many states and the electricity tariff charged in rural areas is kept very low.
- In **India 99.25%** of villages were electrified at the **end of March 2017**.
- As on 31.03.2017, 100 percent electrification was achieved in villages of 20 States/UTs namely,
- Chandigarh, Delhi, Haryana, Himachal Pradesh, Punjab, Rajasthan, Daman & Diu, D & N Haveli, Goa, Gujarat,
- Maharashtra, Andhra Pradesh, Kerala, Lakshadweep, Puducherry, Tamil Nadu, Telangana, Andaman & Nicobar Island, Sikkim and Tripura.

The factors hindering the progress of rural electrification in India are:

- **Lack of Funds:** The generation and transmission of power involves huge expenditure and the fund allocation is low.
- **Inter-state Disputes:** As there are inter-state disputes in managing power projects, power distribution is affected.
- **Uneven Terrain:** As rural topography is uneven without proper connection, developing new lines are costlier and difficult.
- Rural roads in India constitute **26.50 lakh kms**, of which **13.5 percent** of the roads are **surfaced**. India's road network is one of the world's largest.
- The road length of India increased from about 4 lakh kms in 1950-51 to 34 lakh kms at present (2018).
- **High Transmission Loss:** Transmission loss in power distribution is almost 25 per cent in rural areas.
- **Power Theft:** Unauthorized use and diversion of power are evil practices adopted by affluent people that hinders the rural electrification process.

Requirements for Rural Development

- Efforts need to be made to raise **farm and non-farm rural real incomes**.
- Investment in **basic infra-structure** and **social services** need to be increased.
- Coordinated and integrated programmes for solving the present problems and to achieve sustainable development need to be designed.
- Persons and leaders with an understanding of reality of rural problems and with the required foresight vision should be consulted while designing development programmes.

Conclusion

- Crucial steps to strengthening the rural economy are already being taken through **various policies**.
- These steps include investments in areas ranging from health, information technology, education, infrastructure and small business.
- **The Administration is committed** to building on these unprecedented measures in the months and years to come.
- **PURA** (Provision of Urban facilities for Rural Areas) needs to be given due emphasis, without which Indian villages cannot prosper.