



# **DIPLOMA IN RURAL DEVELOPMENT**

**DRD-04**

**Rural Development Institutions & Entrepreneurship**

**Block**

**4**

## **RURAL ECONOMY**

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**Unit – 1**

**Agrarian Economy and Rural Livelihood**

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**Unit – 2**

**Rural Market and Problems of Food Security**

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**Unit – 3**

**Income Generation Programmes**

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## DIPLOMA IN RURAL DEVELOPMENT

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## Unit 1

### Agrarian Economy and Rural Livelihood

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#### Learning Objectives:

After completion of this unit, you should be able to:

- *Explain the concept of agrarian economy*
- *Discuss the role and relevance of agriculture in rural India*
- *Explain the role of other allied sectors in rural India*

#### Structure:

1.1 Introduction

1.2 Agrarian Economy and other allied sectors in rural India

1.3 Non Farm sector: Transforming Rural India

1.4 Small and Cottage Industries

1.5 Conclusion

1.6 Let Us Sum Up

1.7 Keywords

1.8 References

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#### 1.1 Introduction:

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Rural economy of India is so dominant in our country that almost all the activities of the Indian people bear its stamp. The most important thing about the rural economy is that it is very large and almost co-terminus with the Indian Economy. This is so because it is massive in magnitude in many respects, and is related to the ways of the economy in many ways. Rural India is two-thirds of a country of more than a billion people, living in 638,365 villages and earn one-third of the national income. It epitomizes diversity that cuts across geographic conditions to agro-economic, cultural and social contexts.



It is a fact that the rural economy is composed of many and large variety of economic activities. The largest component which is the hub of the rural economy is agriculture. It consists of crop cultivation pertaining to various kinds of cereals, pulses, oilseeds fruits, vegetables, etc. Together with its allied activities like livestock which provide milk and milk products, meat and meat products, it constitutes a major supplier of food and food articles, raw materials and finished products. Another nature based activity, which broadly forms a separate sector and is allied to agriculture, is forests. Its major products include industrial wood and fuel wood of various types used for innumerable purposes and in number of ways. There are other minor forest produce like bamboos and canes, bidis leaves, lac, etc also contribute to rural economy. Still another sector of agriculture consists of fishing, constituted of both inland fish and marine fish. The rural economy also depends on village/rural industries and they are mostly traditional industries and is artisan based. The products are quite many and include khadi, leather, etc.

There should be a greater focus on the rural economy if India wants to become a developed country. An attempt has been made here to look at the various dimensions of the rural economy and how it is still the mainstay of India and cannot be ignored.

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## **1.2 Agrarian Economy and other allied sectors in rural India**

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Agrarian economy is one of the oldest forms of economies still in existence. It comes from the word “agrarian” which means agriculture. Agrarian economy has gone through tremendous transformations. The major purpose behind these



developments is to increase productivity of the agrarian economy. New ideas and technology are now being incorporated into agriculture. For instance, the genetically modified crops give higher yield, and cloning, artificial insemination and cross breeding result in superior quality of livestock that give a higher yield than the local breeds. Despite modernization efforts, the agrarian economy has faced stiff competition from other forms of economies. For instance, many people have shifted from agrarian economy to industrial economies and other forms of white collar jobs. The bulging population has increasingly mounted pressure on the agricultural land necessitating different strategies of livelihoods. Threats of global warming and other climatic changes have also warranted means of diversification.

- **Problems in Agriculture in India:**

A 2003 analysis of India's agricultural growth from 1970 to 2001 by the Food and Agriculture Organisation identified systemic problems in Indian agriculture. For food staples, the annual growth rate in production during the six-year segments 1970-76, 1976-82, 1982-88, 1988-1994, 1994-2000 were found to be respectively 2.5, 2.5, 3.0, 2.6, and 1.8% per annum. Corresponding analyses for the index of total agricultural production show a similar pattern, with the growth rate for 1994-2000 attaining only 1.5% per annum.

- i) **Infrastructure:**

India has very poor rural roads affecting timely supply of inputs and timely transfer of outputs from Indian farms. Irrigation systems are inadequate, leading to crop failures in some parts of the country because of lack of water. In other areas regional floods, poor seed quality and inefficient farming practices, lack of cold storage and harvest spoilage cause over 30% of farmer's produce going to waste, lack of organized retail and competing buyers thereby limiting Indian farmer's ability to sell the surplus and commercial crops.

The Indian farmer receives just 10% to 23% of the price the Indian consumer pays for exactly the same produce, the difference going to losses, inefficiencies and middlemen. Farmers in developed economies of Europe and the United States receive 64% to 81%.

## ii) Productivity:



Although India has attained self-sufficiency in food staples, the productivity of its farms is below that of Brazil, the United States, France and other nations. Indian wheat farms, for example, produce about a third of the wheat per hectare per year compared to farms in France. Rice productivity in India was less than half that of China. Other staples productivity in India is similarly low. Indian total factor productivity growth remains below 2% per annum; in contrast, China's total factor productivity growth is about 6% per annum, even though China also has smallholding farmers. Several studies suggest India could eradicate its hunger and malnutrition and be a major source of food for the world by achieving productivity comparable with other countries.

By contrast, Indian farms in some regions post the best yields, for sugarcane, cassava and tea crops. Crop yields vary significantly between Indian states. Some states produce two to three times more grain per acre than others. The table compares the state wide average yields for a few major agricultural crops in India, for 2001-2002. Crop yields for some farms in India are within 90% of the best achieved yields by farms in developed countries such as the United States and in European Union. No single state of India is best in every crop. Tamil Nadu achieved highest yields in rice and sugarcane, Haryana in wheat and coarse grains, Karnataka in cotton, Bihar in pulses, while other states do well in horticulture, aquaculture, flower and fruit plantations. These differences in agricultural productivity are a function of local infrastructure, soil quality, micro-climates, local resources, farmer knowledge and innovations.

The Indian food distribution system is highly inefficient. Movement of agricultural produce is heavily regulated, with inter-state and even inter-district restrictions on marketing and movement of agricultural goods.

One study suggests Indian agricultural policy should best focus on improving rural infrastructure primarily in the form of irrigation and flood control infrastructure, knowledge transfer of better yielding and more disease resistant seeds. Additionally, cold storage, hygienic food packaging and efficient modern retail to reduce waste can improve output and rural incomes.



The low productivity in India is a result of the following factors:

- The average size of land holdings is very small (less than 2 hectares) and is subject to fragmentation due to land ceiling acts, and in some cases, family disputes. Such small holdings are often over-manned, resulting in disguised unemployment and low productivity of labour. Some reports claim smallholders farming may not be cause of poor productivity, since the productivity is higher in China and many developing economies even though China's smallholder farmers constitute over 97% of its farming population. A Chinese smallholder farmer is able to rent his land to larger farmers, China's organised retail and extensive Chinese highways are able to provide the incentive and infrastructure necessary to its farmers for sharp increases in farm productivity.
- Adoption of modern agricultural practices and use of technology is inadequate, hampered by ignorance of such practices, high costs and impracticality in the case of small land holdings.
- According to the World Bank, Indian branch's Priorities for Agriculture and Rural Development, India's large agricultural subsidies are hampering productivity-enhancing investment. Overregulation of agriculture has increased costs, price risks and uncertainty. Government intervenes in labour, land, and credit markets. India has inadequate infrastructure and services. The World Bank also says that the allocation of water is inefficient, unsustainable and inequitable. The irrigation infrastructure is deteriorating. The overuse of water is being covered by over-pumping aquifers, but as these are falling by one foot of groundwater each year, this is a limited resource. The Intergovernmental Panel on Climate Change released a report that food security may be a big problem in the region post 2030.
- Illiteracy, general socio-economic backwardness, slow progress in implementing land reforms and inadequate or inefficient finance and marketing services for farm produce.
- Inconsistent government policy. Agricultural subsidies and taxes are often changed without notice for short term political ends.

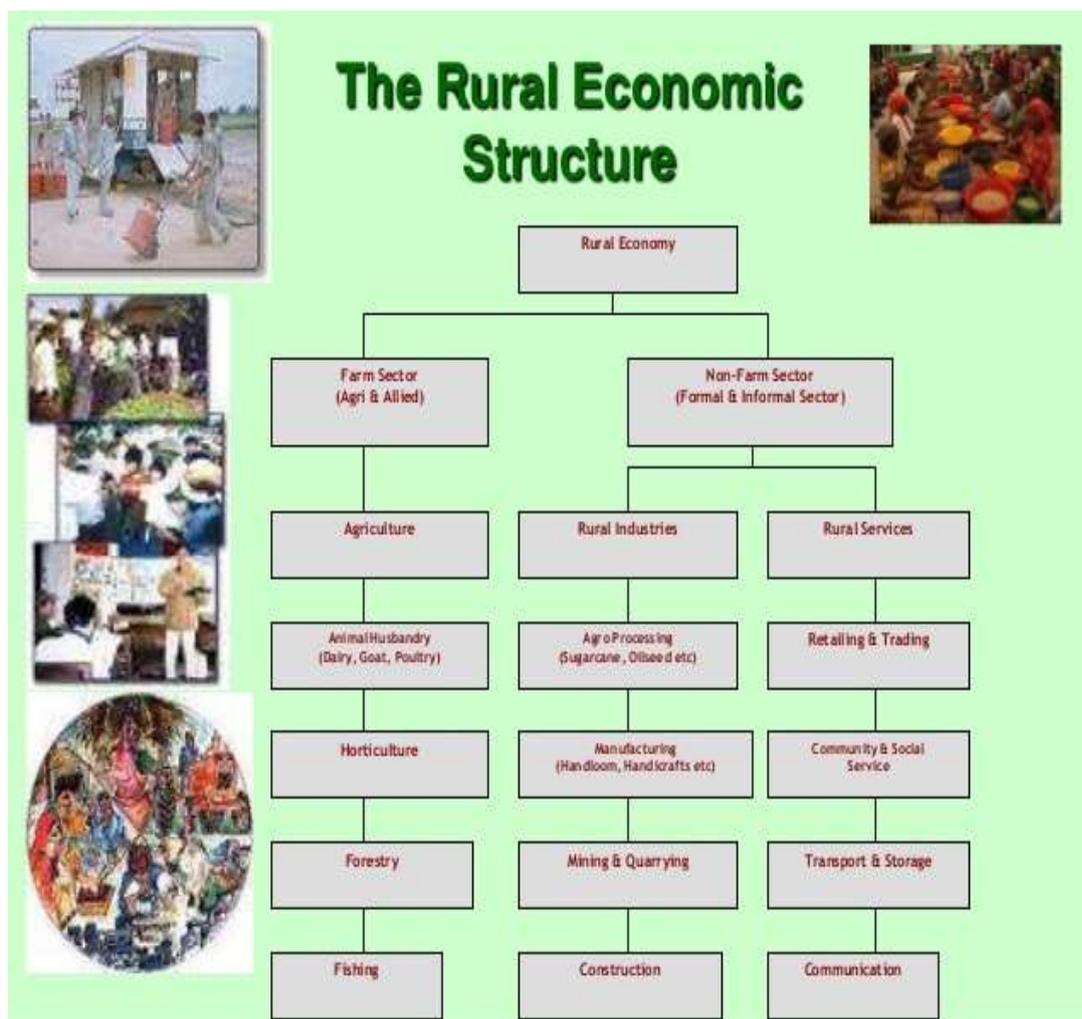


- Irrigation facilities are inadequate, as revealed by the fact that only 52.6% of the land was irrigated in 2003–04, which result in farmers still being dependent on rainfall, specifically the monsoon season. A good monsoon results in a robust growth for the economy, while a poor monsoon leads to a sluggish growth. Farm credit is regulated by NABARD, which is the statutory apex agent for rural development in the subcontinent. At the same time, over-pumping made possible by subsidised electric power is leading to an alarming drop in aquifer levels.
- A third of all food that is produced rots due to inefficient supply chains to improve efficiency is blocked by laws against foreign investment in the retail sector.

### iii) Farmer suicides:

- In 2012, the National Crime Records Bureau of India reported 13,754 farmer suicides. Farmer suicides account for 11.2% of all suicides in India. Activists and scholars have offered a number of conflicting reasons for farmer suicides, such as monsoon failure, high debt burdens, genetically modified crops, government policies, public mental health, personal issues and family problems.

This section will be focusing on the following components of rural economy in order to understand its contribution towards the development of Indian economy. The components are given in the next page:



### 1.2.1 Agriculture sector

Rural economy has traditionally been associated with agriculture. India is primarily an agrarian society with two third of its population living in rural areas. Agriculture and related activities are the main source of livelihood for them. The performance of agriculture sector, therefore, plays a vital role in the economic growth of our country. But over the years, there is a significant decrease in the contribution of agriculture to the national economy – from a high of around 55% of GDP at the time of Independence to around 22% at present. The relationship between rural communities and agriculture is in transition – from a situation where agriculture was the major driving force – to a new state where increasingly non-agricultural factors influence the nature of rural economy. Still the overall growth of the Indian economy has depended much on the performance of



agriculture because it is one of the sectors that provide employment to about 65 %of the total population. With a share of 2.7% of the world agricultural production, India is ranked sixth in the world. Agriculture is a principal contributor to India's economic output, with an output of Rs 2925 billion (US\$ 61 bn) in 2002, accounting for nearly 25% of GDP (at constant prices basis 1993-94)

India is among the top five producers in the world of rice, wheat, groundnuts, coffee, tobacco, spices, sugar, tea, jute, cotton, oilseeds, fruits and vegetables. India also produces a wide range of fruits and vegetables, and is the largest fruits producer (30 mn tonnes) and the second largest vegetable producer in the world (85 mn tonnes) - potato (23 mn tonnes) being the principal vegetable.

From a nation dependent on food imports to feed its population, India today is not only self-sufficient in grain production but also has a substantial reserve. The progress made by agriculture in the last four decades has been one of the biggest success stories of free India. This increase in agricultural production has been brought about by bringing additional area under cultivation, extension of irrigation facilities, the use of improved high-yielding variety of seeds, better techniques evolved through agricultural research, water management, and plant protection through judicious use of fertilizers, pesticides and cropping practices.

The farm sector plays a very vital role in the fostering growth to the Indian economy. Not only it provides employment to 65% of the Indian population either directly or indirectly but also subsequently contributes to the growth in the non-farm sector since the income earn by the people in rural areas through the farm sector is spent on purchasing various commodities of essential and comfort nature. Thus the relationship between agricultural income and economic growth is almost direct.

#### **i) Fertilizer industry**

The Industry had a very humble beginning in 1906, when the first manufacturing unit of Single Super Phosphate (SSP) was set up in Ranipet near Chennai with an annual capacity of 6000 MT. The Fertilizers & Chemicals Travancore of India Ltd. (FACT) at Cochin in Kerala and the Fertilizers Corporation of India (FCI) in Sindri in Bihar (Now Jharkhand) were the first large sized-fertilizer plants set up



in the forties and fifties with a view to establish an industrial base to achieve self-sufficiency in food grains. Subsequently, green revolution in the late sixties gave an impetus to the growth of Fertilizer industry in India. The seventies and eighties then witnessed significant additions to the fertilizer production capacity. The installed capacity as on 28.02.2003 has reached a level of 12.11 million MT of nitrogen (inclusive of an installed capacity of 20.84 million MT of urea after reassessment of capacity) and 5.36 million MT of phosphatic nutrient, making India the 3rd largest fertilizer producer in the world. Presently, there are 57 large sized fertilizer plants in the country manufacturing a wide range of nitrogenous, phosphatic and complex fertilizers. Out of these, 29 units produce urea, 20 units produce DAP and complex fertilizers, 13 plants manufacture Ammonium Sulphate (AS), Calcium Ammonium Nitrate (CAN) and other low analysis nitrogenous fertilizers. Besides, there are about 64 medium and small-scale units in operation producing SSP.

#### **ii) Seed Industry**

Seed industry in India has been making great strides since independence. The government through policy initiatives helped the development and growth of the nascent industry. As a result quality seed production which was just 0.18 million quintals in 1953-54 has risen to 5.3 million quintals in 1992-92. Although the growth seems impressive, quality seed production has been far below the requirement for most of the crops. In 2002-03, production of certified seeds was 930,000 MT, most of it from government-owned enterprises. The Indian seeds market is one of the biggest in the world, with a turnover of around Rs 25 billion, not considering the notional value of seeds that government distributes free of cost to marginal farmers as part of its agricultural support policy. The market is expected to grow to 2.7 million tonnes and Rs 235 billion by 2010, representing a compounded growth of 6% in volume terms but more than 14% in value terms due to the increasing market share of proprietary hybrids and biotechnologically engineered seeds. The preference for hybrid seeds over conventional seeds cuts across farmers with holdings of all sizes.



### iii) Pesticide industry:

India produces 90,000 metric tonnes of pesticides a year. India's pesticide industry is the largest in Asia and the twelfth largest in the world with a value of US\$ 0.6 billion, which is 1.6 percent of the global market pie. With over 60% of the country's population dependent on agriculture, the country's economy depends on the agricultural sector to a substantial extent. From a modest beginning in 1947, when DDT was first used for malaria control, pesticide consumption in India has grown to a total market size of over Rs. 45000 million in FY 03. However, per hectare consumption of pesticides in India is very low at 0.55 Kilograms when compared to developed countries. India is the 13th largest exporter of pesticides and disinfectants in the world.

India's agri-input market is estimated at over Rs. 45,000 crores, including the tractors business. India's low consumption of high-yield seeds, fertilizers, and pesticides in comparison with other countries indicates a huge potential for market growth.

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## 1.2.2 Allied Sectors

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### i) Livestock sector:

**IMPORTANCE OF LIVESTOCK  
IN INDIA**

- Livestock in India goes beyond the function of food production.
  - ❖ Livestock an importance source of manure for crop production and fuel for domestic use.
  - ❖ It is a source of minimizing use of non renewable energy.
  - ❖ Livestock, an important source of income for the farmers and rural poor people.



The value output contribution from Indian Livestock sector to the GDP of the country was about 40.6% of total contribution from Agriculture and allied sector. As of 2004, the total value of output was estimated at about USD35 million. Livestock plays an important role in the socio- economic life of India. It is a rich source of high quality foods such as milk, meat and eggs and a source for income and employment to millions of rural farmers, particularly women. With a large human population and about 250 million economically strong potential consumers, the domestic demand for these food products are increasing rapidly, the demand often exceeding the supply. As per the last livestock census (1991), India had 203.1 million cattle, 83.1 million buffaloes, 50.7 million sheep, 115.3 million goats, 12.1 million pigs, 3.6 million other livestock and 400 million domesticated poultry birds. Given its potential as an alternative subsistence mechanism to crop farming, this sector has been addressed with priority not only for rural development but also because of the potential that lies in it contribution towards the economic development through its contribution to the food processing sector.

- **Dairy/Milk production:**

With an estimated 140 million tons of annual milk production from animals managed by nearly 70 million farmers, India is the top-most milk producing country in the world. The average annual growth is about 5.6%. The impressive work done under the operation flood to a large extent is responsible for the rapid stride made by our country in the field of dairy/milk production.

The share of organized sector is small (private-11-12%, Government/cooperative sector - 11-12%). There is still a very large portion of milk market in the hands of unorganized sector which has adverse effect on the farm-gate price of the milk. In Government/cooperative sector, almost 80% milk is marketed as liquid milk and only 20% as milk products. While it is reverse in the private sector - only 30% is marketed as liquid milk and 70% as milk products with value addition.

The dairy products with high demand potential can be largely grouped under following categories:-

- Prepared by reconstitution of liquid milk e.g. flavoured milk with different fat content flavours etc.



- Prepared from culturing methods (microbial fermentation) e.g. Indian milk products Dahi, Mishti Dahi, Lassi, Butter milk (Chhas), Kadhi, Butter ( Makhhan), Ghee, Chakka, Shrikhand etc.
- Prepared by condensation of milk e.g. Indian milk products Kheer, Kulfi Basundi, Rabdi, Burfi, Pedha, Kalakand, GulabJamun etc.
- Prepared by acid precipitation e.g. Indian milk products Paneer, Channa, Sandesh, Rasgolla, Rasmalai etc.
- Products such as lactose, casein etc.
  
- **Poultry Production:**

The annual growth rate is 8-10% in egg and 12-15% in the broiler industry. With the annual production of 33 billion eggs, India is the fifth world's largest egg producing country. It also produces 530 million broilers per year. Poultry provides employment to about 1.5 million people. It is estimated that by year 2010, the requirements will be 180 billion eggs and 9.1 billion kg poultry meat while the estimated production may only be around 46.2 billion eggs and 3.04 billion kg poultry meat. With rapid urbanization, and increasing demand from the present 250 million economically strong ,consumer market base (which is likely to go up to 350 million by year 2010 ), there is bright future for this industry in India.

In India, the private sector has contributed significantly to produce high quality commercial breeding stocks, poultry equipment, compounded feed, health care products and disease diagnostic facilities. Good genetic stocks, equipment and machinery, medicines and vaccines and skilled manpower are available. There is a need to improve processing, preservation and marketing of eggs and poultry products. While the industry is being modernized , it must be remembered that , even now , considerable volume of eggs are being produced by village poultry maintained by very poor farmers, tribal living in remote forest and hilly areas under very adverse and difficult situation. Thus, in order to make this source of livelihood much more attractive there is a need of a partially vertical integration. It needs to be supported by providing infrastructure for meat processing, packaging, preservation and marketing with value addition of products and

maintaining a cold chain till the product reaches the consumer. The private sector companies including foreign investors have a great opportunity to invest in these schemes, in collaboration with the Indian entrepreneurs.



- **Fisheries Production:**

India has a coast line of about 8041 km, export economic zone of 2.02 million Sq km with a continental shelf area of 0.5 million sq km along with peninsula. There is about 5.70 million ha of fresh water area suitable for fisheries production. India's total annual fish production is about 5.65 million tons (Inland - 2.82 million tons and marine - 2.83 million tons). However, the estimated potential based on the present levels of productivity is about 8.4 million tons (Inland 4.50 and marine 3.90 million tons). If modern state of art technologies is used there is a vast untapped potential that can be exploited. With nearly 250 million potential consumers, there is a tremendous potential domestic market for consumption of fish products. The contribution of fishery to our GDP is about 1.3%. Export of marine products from India at present is about \$ 1.3 billion. Indian marine products are exported to over 64 countries. The export of fisheries products during the next 5 years could be increased US\$ 3 to 4 billion with intensive efforts.



The Government of India launched National Fisheries Development Board in 2006. Its headquarters are in Hyderabad, located in a fish shaped building. Its activity focus areas are:

- Intensive Aquaculture in Ponds and Tanks
- Fisheries Development in Reservoirs.
- Coastal Aquaculture
- Mariculture
- Seaweed Cultivation
- Infrastructure: Fishing Harbours and Landing Centres
- Fish Dressing Centres and Solar Drying of Fish
- Domestic Marketing
- Technology Upgradation
- Deep Sea Fishing and Tuna Processing

The implementation of two programs for inland fisheries—establishing fish farmers' development agencies and the National Programme of Fish Seed Development—has led to encouragingly increased production, which reached 1.5 million tons during FY 1990, up from 0.9 million tons in FY 1984. A network of 313 fish farmers' development agencies was functioning in 1992. Under the National Programme of Fish Seed Development, forty fish-seed hatcheries were commissioned. Fish-seed production doubled from 5 billion fry in FY 1983 to 10 billion fry in FY 1989. A new program using organic waste for aquaculture was started in FY 1986. Inland fish production as a percent of total fish production increased from 36 percent in FY 1980 to 40 percent by FY 1990

**Livestock population in India (Million)**

Livestock	World	India	% of world
Cattle	1371	222	16.49
Buffalo	170.7	95	56.77
Sheep	1024.0	59	5.76
Goat	767.9	124	16.21
Pig	956	18.5	1.93
Horse	55.5	0.8	1.44
Mules	12.8	0.3	2.34
Camel	19.1	0.9	4.71

August 16, 2004  
FAO, 2004

## ii) Forest Resources

Forest is of paramount importance for socio-economic development of the rural areas. Forests play a vital role in India's economy. They are an important source of fuel and also of raw materials, such as, timber, bamboos apart from that they are a major source of fodder, protein, fruits, gums, resins, dyes, mushrooms, medicinal plants and many other non-wood forest products (NWFP). NWFP for a wide range of needs including food, medicines, construction and shelter materials, fibbers, dyes, resins, oils, and aromatic plants. Over the years, many NWFP have become important sources of income and employment in rural areas, such as gum and resin tapping, gathering of medicinal, culinary and aromatic plants for the local and international industry, wild foods, honey, fruits and nuts. More recently, some NWFP and other forest based service industries, like some medicinal and/or aromatic plants, pine resins, and forest ecotourism have become important economic activities in India.

Forestry in India is a significant rural industry and a major environmental resource. India is one of the ten most forest-rich countries of the world along with the Russian Federation, Brazil, Canada, United States of America, China, Democratic Republic of the Congo, Australia, Indonesia and Sudan. Together, India and these countries account for 67 percent of total forest area of the world. India's forest cover grew at 0.22% annually over 1990-2000, and has grown at the rate of 0.46% per year over 2000-2010, after decades where forest degradation was a matter of serious concern.



## Features of Indian Forests

- ❑ **Large Variety of Area-** Due to different varieties of soil and climate, there are various types of forests.
- ❑ **Low Forest Area-** In India, about 22% area is under forests. According to modern experts, in hot countries like India, 1/3 portion of the total area should be under forests. But the area under forests in our country is very low in comparison to other countries of the world.
- ❑ **Unequal Distribution-** The distribution of forests is uneven. On the one side, in Himachal Pradesh, Kerala, Assam and M.P., about 33% area is under forests. In the more populated areas like Punjab, only 5% forest area.
- ❑ **Low Per Acre Productivity-** The per acre productivity of forest is low. It is 1/10 of France, 1/21 of Japan and 1/6 of USA.
- ❑ **Low Per Capita Forest Area-** The per capita forest area is also very low due to rapid growth of population. The per capita forest area in India is 0.2 hectare, which is very low.
- ❑ **Unproductive-** India's 75% forests are productive and 25% of forests remain unproductive. It is due to lack of transportation and communication facilities.
- ❑ **Control of Forests-** In India, 95% forests are controlled by Government, 3% by Village Panchayats and 2% by private individuals.

As of 2010, the Food and Agriculture Organisation of the United Nations estimates India's forest cover to be about 68 million hectares, or 22% of the country's area. The 2013 Forest Survey of India states its forest cover increased to 69.8 million hectares by 2012, per satellite measurements; this represents an increase of 5,871 square kilo meters of forest cover in 2 years. However, the gains were primarily in northern, central and southern Indian states, while north eastern states witnessed a net loss in forest cover over 2010 to 2012.

In 2002, forestry industry contributed 1.7% to India's GDP. In 2010, the contribution to GDP dropped to 0.9%, largely because of rapid growth of the economy in other sectors and the government's decision to reform and reduce import tariffs to let imports satisfy the growing Indian demand for wood products. India produces a range of processed forest (wood and non-wood) products ranging from wood panel products and wood pulp. India's paper industry produces over 3,000 metric tonnes annually from more than 400 mills. The furniture and craft



industry is another consumer of wood. India's wood-based processing industries consumed about 30 million cubic metres of industrial wood in 2002. India annually consumes an additional 270 million tonnes of fuelwood, 2800 million tonnes of fodder, and about 102 million cubic meter of forest products - valued at about ₹27,500 crore (US\$4.1 billion) a year. India is one of the world's largest consumers of fuel-wood. India's consumption of fuel-wood is about five times higher than what can be sustainably removed from forests. However, a large percentage of this fuel-wood is grown as biomass remaining from agriculture, and is managed outside forests. Fuel-wood meets about 40% of the energy needs of the country. Around 80% of rural people and 48% of urban people use fuel-wood. Unless India makes major, rapid and sustained effort to expand electricity generation and power plants, the rural and urban poor in India will continue to meet their energy needs through unsustainable destruction of forests and fuel wood consumption. India's dependence on fuel-wood and forestry products as a primary energy source is not only environmentally unsustainable but also is a primary cause of India's near-permanent haze and air pollution.

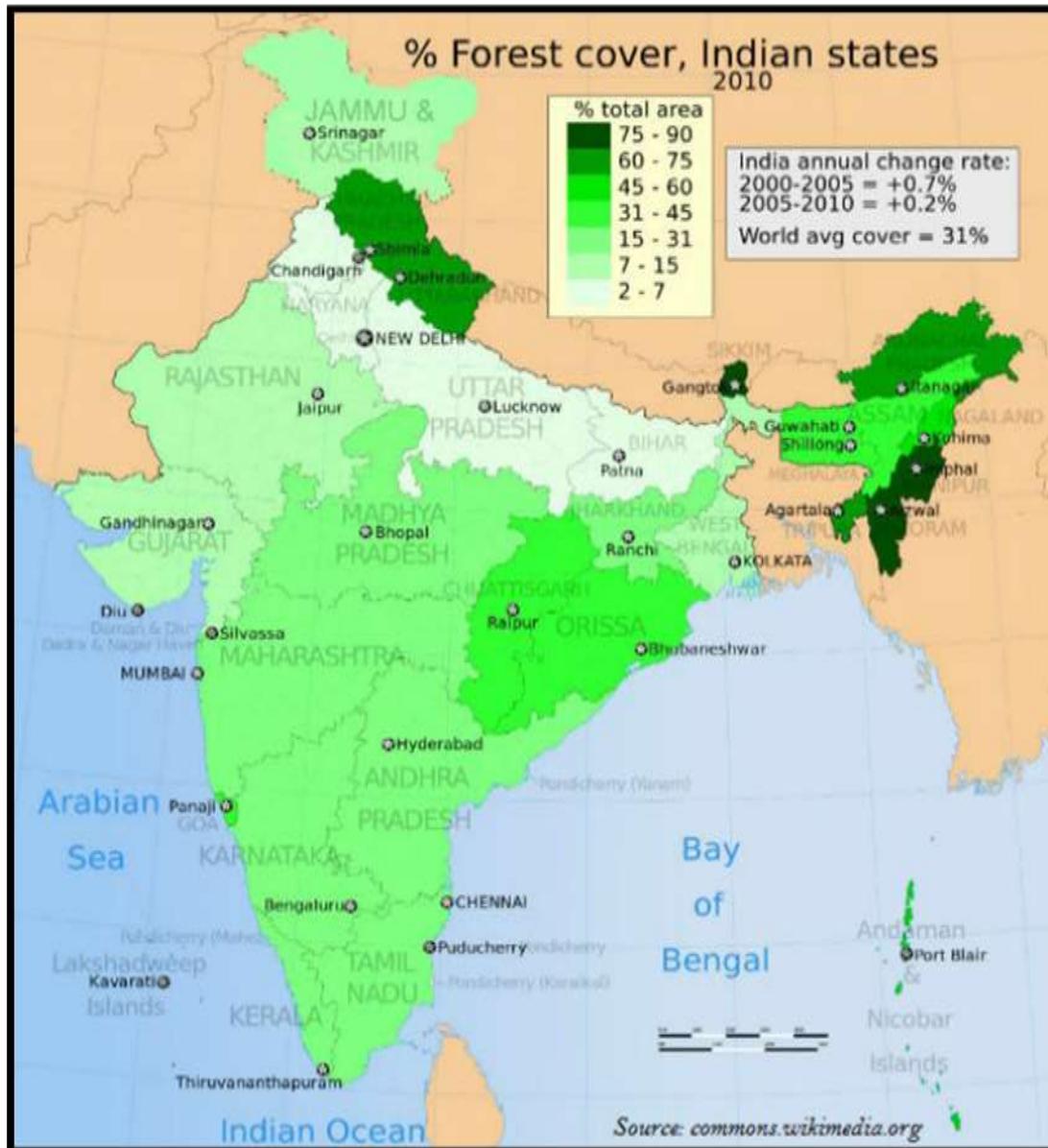
Forestry in India is more than just about wood and fuel. India has a thriving non-wood forest products industry, which produces latex, gums, resins, essential oils, flavours, fragrances and aroma chemicals, incense sticks, handicrafts, thatching materials and medicinal plants. About 60% of non-wood forest products production is consumed locally. About 50% of the total revenue from the forestry industry in India is in non-wood forest products category. In 2002, non-wood forest products were a source of significant supplemental income to over 400 million people in India, mostly rural.

Besides supplying timber and fuel, the forests are an important source of raw materials for the matchwood, plywood and paper industries and also potentially for the rayon industry. We have described elsewhere the programme for the development of these industries. The present requirements of timber for the matchwood industry are estimated at about 1, 40,000 tons. As regards plywood timber, the present production is estimated at about 60,000 tons. The Forests also yield such minor products as lac, tanning materials, gums and resins, drugs, etc., the annual value of which is estimated at about Rs. 303 lakhs. Two of the minor

products, namely, lac and myrobalans occupy position of considerable importance in our export trade.



The figure below shows a decline in the forest cover in India:



### iii) Food Processing:

India is the second largest producer of fruits and vegetables. Its processing level is estimated to be around 2 %, as compared to about 80 % in Malaysia, 30% in Thailand, and 60-70% in UK and USA. A strong and dynamic food processing industry is important for diversification and commercialization of agriculture. It



ensures value addition to the agricultural products, generates employment, enhances income of farmers and creates surplus for export of agro foods. Food processing covers a spectrum of products from sub-sector comprising agriculture, horticulture, plantation, animal husbandry and fisheries. India has abundant availability of a wide variety of crops, fruits, vegetables, flowers, live-stock and seafood. Diverse climatic conditions and a long coastline have contributed to India's position as a leading food producer. Indian FP Industry can be further sub decided into various food processing sectors such as grain processing, meat processing, poultry & egg processing, milk & milk products, fish processing, fruit & vegetable processing, consumer food industries.

**FOOD PROCESSING INDUSTRY & SOCIOECONOMIC DEVELOPMENT**

- **High Priority Area ( Thrust Area)**
- **Labour intensive (Employs 18 – 20% labour force) , offer major employment opportunity**
- **Optimal utilization of agro resources**
- **Highly decentralized small & Cottage scale industries Dominate, Predominance of primary processing units**
- **Enhancement of farmer's economy, improvement in quality of life of rural**
- **Contributes to food security and price stabilization**

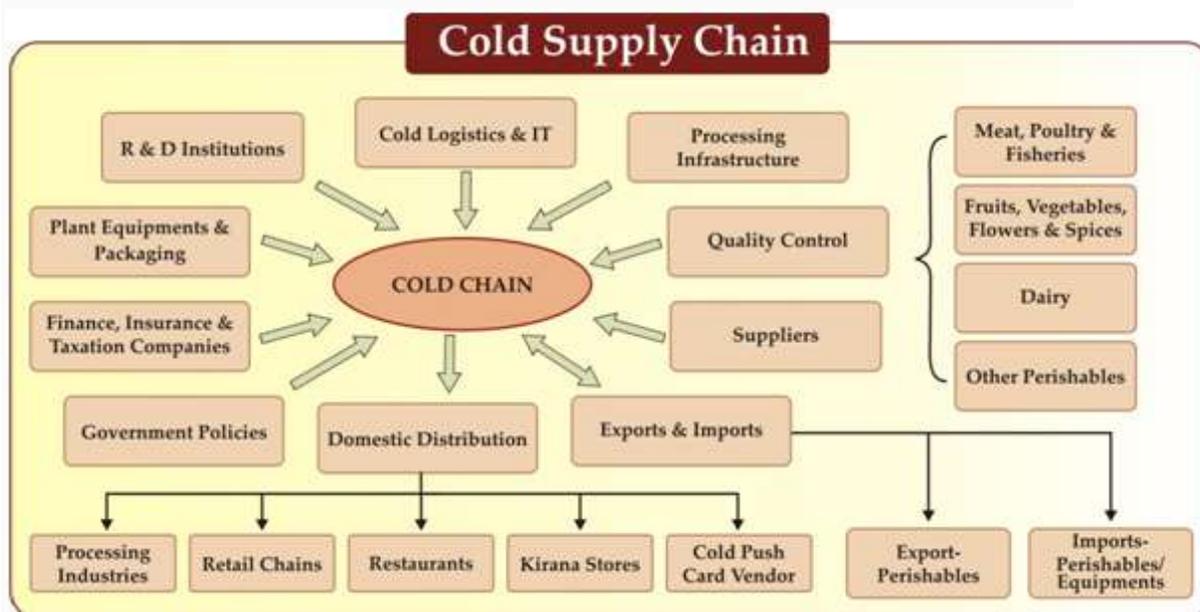
Food is the first and the foremost requirement of the people for their survival. It provides nutrients like proteins, carbohydrates, fats minerals and vitamins. It involves cultivation of field crops, horticulture, animal raising and aquaculture. Agriculture is practiced in two phases.

- i) the production agriculture and the goal is to get maximum productivity and
- ii) post production agriculture where the major targets are prevention of loss and value addition. Agriculture is practiced for self and/or trade.

Food processing operations includes many methods that are used to add value to the raw food materials (including marine products, poultry and meat) which can be consumed by human beings or animals. Raw food materials are transformed



into edible products processing and value addition. The operations involved in food processing are mainly classified into two groups, viz., primary processing and secondary processing. This provides employments to rural people including women and prevents capital drain from rural to urban areas and thereby helps in narrowing down the economic disparity between rural & urban population. Primary processing relates to conversion of raw agricultural produce, milk, meat and fish into a commodity that is fit for human consumption. It involves steps such as cleaning, grading, sorting, packing, etc. Secondary and tertiary processing industries usually deal with higher levels of processing where new or modified food products are manufactured.



- **Present status of Food Processing**

To meet the current demand of food materials, the industrial food processing sector has emerged. The food processing sector in the country is mainly handled by the unorganized sectors. About, 42% of the output comes from the unorganized sector, 25% comes from the organized sector and the rest of it comes from the small scale players. The small-scale food processing sector is a major source of employment and adds value to crops by processing. It is a major source of food in the human diet.



The small-scale food processing sector is, however, under increasing threat and competition from the large manufacturers who, through economies of scale and better presentation and marketing. Good packaging lies at the very heart of presentation and thus customer appeal. It is an area of vital importance for small and medium food manufacturers if they are going to continue to compete and expand. With food processing, it is possible to maintain a nutritious and safe food supply for the millions of people that inhabit both urban and rural areas. Improvement in processing efficiency, by increased yield of usable product, is a tangible means of reducing food loss and increasing food supply. Demand for increased convenience of food preparation in the home, institution and restaurant has created a need from processing industries for food ingredients as well as new food forms.

- **Importance of Food Processing**

All the raw food materials are processed to improve their palatability, nutritional value and shelf-life.

Foods are processed for five major reasons:

- 1) Preservation for later consumption or sale to fetch better price
- 2) Removal of inedible portions
- 3) Destruction or removal of harmful substances
- 4) Conversion to forms desired by the consumer and
- 5) Subdivision into food ingredients.

Generally, the first - preservation for later consumption or sale – is the primary reason for food processing. Field crops, including grains, oilseeds, sugar crops and forages are major contributors of the nutrients required by man either through direct consumption of the seed kernel or isolated components as food, or through utilization of the plant and by-products as feed in the production of meat, poultry, milk, eggs and fish. Field crops also have major non-food uses. However, in essentially all instances, harvested field crops must be processed in some manner prior to utilization as food or feed or in industry so as to reduce their post harvest losses.



- **Scope of Food Processing**

India is the world's second largest producer of food next to China, and has the potential of being the biggest with the food and agricultural sector. The total food production in India is likely to double in the next ten years and there is an opportunity for large investments in food and food processing technologies, skills and equipment, especially in areas of Canning, Dairy and Food Processing, Packaging, Frozen Food/Refrigeration and Thermo-Processing. Fruits & Vegetables Processing, Fisheries, Milk & Milk Products, Meat & Poultry, Packaged/Convenience Foods, Alcoholic Beverages & Soft Drinks and Grain processing are important sub-sectors of the food processing industry. The consumer product groups like confectionery, chocolates and cocoa products, Soya-based products, mineral water, high protein foods, soft beverages, alcoholic and non-alcoholic fruit beverages, etc. along with the health food and health food supplements is another rapidly rising segment of this industry which is gaining vast popularity.

India produces nearly 16% of the world's total food grain production. It is one of the largest producers of agricultural produce. With a population expected to reach to about 590 million people by 2030 in urban India, India has a huge potential domestic demand for processed foods other than the demand from the exports. There are many socio-economic factors that are driving the demand side of the Indian Food Processing Industry. The changing consumption patterns, both in tier 1 and tier 2 cities, rising income levels among the middle-class and changing lifestyles, are some of the factors providing the demand side push for the Food Processing Industry. Moreover, the central government has given a priority status to all agro-processing businesses.

- **Key constraints for growth**

Though there are many promising dynamics which support good growth of this industry, there are still some significant constraints which, if not addressed properly, can impede the growth prospects of the Food Processing Industry in India. One of the biggest constraints is that this industry is capital intensive. It creates a strong entry barrier and allows lesser number of players to enter the market. Lesser players mean lesser competition and lesser competition means reduced efforts to improve the quality standards.



There are other two constraints which pertain to maintaining the standards of quality. First constraint is poor infrastructure for storing raw food materials. Two main types of storages – the warehouses and the cold storages, lag in storage standards. The pests infest the grains sometimes due to lack of monitoring, proper use of pesticides and proper ventilation. Similarly, the power outages result in sub-optimal function of the cold-storages and the quality of food material in the cold storages becomes questionable. The second important aspect is having poor quality standards and control methods for implementing the quality standards for processing and packaging the processed foods. For example, vegetables may not be washed properly and processed into either ‘ready to eat food’ or packaged as ‘cut and ready to cook’ vegetables.

Also, continuity of quality power, good quality of water for processing, instruments for rapid and reliable analysis, versatile instruments/equipments for multi commodity, cultivars are not suitable for specific processing, etc. are other limitations for food processing industry. Unless these important constraints are addressed it will be difficult to break the cultural barrier where people prefer fresh food over packaged food. It will be difficult to gain customer confidence and the perceived growth of this industry may actually not be so lucrative.

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### **1.3 Non Farm sector: Transforming Rural India**

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Farm activity means agricultural activity and non-farm activity is used synonymously with non-agricultural activity. There are two alternative approaches to define rural-non-farm activities (Saith, 1992). The first is the locative approach in which the primary criterion is that a RNF activity is performed in a location which falls within a designated rural area. The second is based on the linkage approach where an industrial enterprise generates significant development linkages with the rural areas. For purposes of this study we are using the first. Rural-Non-Farm-Sector (RNFS) includes all economic activities viz., household and non-household manufacturing, handicrafts, processing, repairs, construction, mining and quarrying, transport, trade, communication, community and personal services etc. in rural areas. Rural-Non-Farm-Activities (RNFAs), thus, play an



important role to provide supplementary employment to small and marginal farm households, reduce income inequalities and rural-urban migration. Though, agricultural sector has played a very significant role for generation of rural employment in the Asia and Pacific region, its contribution to the overall economy has greatly reduced in the recent past (Asian Productivity Organization, 2004). Therefore, development of various non-farm-activities can effectively be exploited as a potent stimulator for further economic growth offering rural communities better employment prospects on a sustainable basis.

One of the celebrated laws in the area of development studies is that an indicator of growth and development is the sectoral composition of the economy. As an economy grows, the agricultural sector's share will come down and the shares of the manufacturing and service sectors will go up. Correspondingly, the share of agriculture in developed economies will be low and those of the manufacturing and service sectors will be high, the opposite being the case in less developed economies. This, of course, is no iron law, but a widely observed empirical finding across countries and over time.

- **Importance of Rural Non-Farm Sector**

The non-farm sector, particularly in rural areas is being accorded wide recognition in recent years for the following reasons:

- Employment growth in the farm sector has not been in consonance with employment growth in general.
- A planned strategy of rural non-farm development may prevent many rural people from migrating to urban industrial and commercial centers.
- When the economic base of the rural economy extends beyond agriculture, rural-urban economic gaps are bound to get narrower along with salutary effects in many other aspects associated with the life and aspirations of the people.
- Rural industries are generally less capital-intensive and more labour absorbing.
- Rural industrialization has significant spin-offs for agricultural development as well.



- Rural income distribution is much less unequal in areas where a wide network of non-farm avenues of employment exists; the lower strata of rural societies participate much more intensely in non-farm activities, though their involvement is much less remunerative as compared with that of the upper strata.

If agriculture were the only occupation in the rural areas, this would mean that rural earnings may not be going up in comparison with the rest of the country. However, while agriculture dominates the rural scene, it is not the only economic activity there. To the extent that agriculture gets commercialized (sale of agricultural produce and purchase of input for agriculture) trade and other service activities will pick up in the rural areas. Further, educational and health activities may also be expected to go up. Traditionally, rural areas have had some manufacturing activities too - handloom weaving, oil pressing, bidi manufacturing and so on. What happens to these non-farm activities in the rural areas as the economy develops? Sufficient attention has not been paid to this question, though it is an important one in terms of the livelihood patterns of vast sections of the population, understanding of the rural-urban divide (or link), and the larger democratic processes in the country.

The pattern of rural non-farm diversification that took place is worth noting. The growing demand for milk, meat and eggs has resulted in the increased importance of livestock in the rural economy. It may also be a reflection of the programme of the distribution of cattle to landless households during the integrated rural development approach of the 1980s. Another employment and income generator in the rural areas is the wood industry, which employs more than five million people and is, in fact, the third largest generator of employment in the manufacturing sector, next only to textiles and food processing.

For an overall understanding of an important segment of the economy and of the millions in the rural areas, the catch-all reference to the RNFS is defensible, but the main characteristic of this sector is its heterogeneity. The volume brings this out quite vividly, but it underlines some general policy measures for stimulating and sustaining its development. These include, as already suggested, *"augmentation of rural infrastructure; increasing the institutional credit flow to*

*the small and tiny sector; building of support systems that would improve market information and market networks; introduction of measures for skill and technology up gradation, and for promoting quality consciousness and quality control".*



Rural Non Farm Sector (RNFS) holds the key to faster economic development of the country. It has potential and promise for generating employment and increased income in the rural areas.

## RURAL NON-FARM SECTOR

**Poverty** can not be removed with **51%** of workers in agri. Need to promote rural non-farm sector.

**Micro and Small Enterprise- MSEs**  
Weavers, artisans, people engaged in food processing, hawkers, vendors, & carpenters. etc  
Issues - Unorganized, Competition,

Credit

Technology

Marketing

Standardization

Infrastructure

**Small and Medium Enterprise - SMEs**  
**China** where over **68%** of the **exports** come from the SMEs called Chinese Town and Village Enterprises

**Food processing**-India produces about 50 million tonnes of fruits & 90 million tonnes of vegetables. **Only 2%** of these are processed as against 23% in China, 78% in Phillipines, 83% in Malaysia.

1/29/2012




**Level of processing**

Segment	India	Other's
Milk & products	35%	60 to 75% in developed Countries
Poultry	6%	
Fisheries	12%	
Buffalo Meat	21%	

[www.ibel.org](http://www.ibel.org)

### 1.4 Small and Cottage Industries:

In India, the latest definition of a small-scale industry (SSI) is any unit with an upper limit on investment (in plant and machinery) of from Rs. 0.20 million to Rs. 0.35 million in the case of SSI and Rs. 0.45 million in the case of ancillary units. What is called the village and small industries (VSI) sector comprises both traditional and modern small industries; it is constituted by eight specific groups'

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viz. Handloom, Handicrafts, Coir, Sericulture, Khadi, Village Industries, Small-Scale Industries and Power looms. The last two items constitute the modern group of industries, the others being traditional. India is one of the most populated countries in the world with almost a billion people, cottage and small scale industries are of great importance to a developing countries economy. With total revenue of almost Rs. 6000 crores, the Indian economy benefits immensely from the revenue earned by these small, compact yet important industries.

Cottage industries are of a traditional nature, catering mainly to the local populations and depend upon local raw materials. They are located usually at the homes of the producers hence the name cottage industries. It is estimated that about 50 million people are employed in cottage industries. They require little capital investment so many such units can be developed. They help in solving unemployment problems and are major contributors to the country's economic growth. They provide main components for large-scale industries. Farmers can supplement their income and provide themselves with a better source of livelihood. They help in preservation and promotion of traditional culture and national heritage. They earn foreign exchange for India and are acknowledged all over the world.

In the economic development of India, a strategic position has been given to the development of village and small industries (VSI) which constitute an important segment of the overall economy. Next to agriculture, the VSI sector provides the greatest employment opportunities, a considerable portion of which is in rural and semi-rural areas. It contributes about fifty percent of the value added in manufacturing.

Two important steps taken during the first plan period were the setting apart by the Central Government of substantial finance for the development of village and small industries and the building up of a network of all-India Boards to deal with the problems of the hand-loom industry, khadi and village industries, handicrafts, small-scale industries, sericulture and the coir industry. Greater attention on the part of the Central and State Government and the expanding activities of the all-India Boards have increased production and employment in a number of industries. The handloom industry, which was in a difficult situation at the



commencement of the plan, has received considerable support. The All-India Khadi and Village Industries Board have set up a technological institute for village industries and have also established central and regional institutions for the training of workers. The All-India Handicrafts Board has assisted research in new designs and patterns and in improved processes, organised a survey of marketing of handicrafts and has arranged for exhibition of handicrafts both within the country and abroad.

In regard to a number of other industries also, including certain types of agricultural implements, furniture-making, sports goods, slates and pencils, bidi, writing inks, chalks and crayons and candles, it has been decided to reserve further expansion of production for small units.

#### **1.4.1 Forest-based small-scale manufacturing:**

Among the village industries scheduled for development by KVIC are the following forest based industries: collection of forest plants and herbs for (mostly medicinal purposes); cane and bamboo processing; gums and resins; katha manufacturing; and shellac industry. These industries utilize minor forest produce which are under the control of State Forest Departments.

The cane and bamboo industry is widespread in India since the raw materials occur everywhere and are associated with many aspects of rural activity. The availability of canes in India is meager compared to its requirements. The chief uses are for making furniture, baskets, handles for umbrellas, and mats. Industries based on gums and resins, and katha (a medicinal extract of Khair tree heartwood) are relatively minor relative to cane/bamboo and collection of herbs. Shellac, which employs over a million people, is more prominent.

#### **1.4.2 Regeneration of traditional industries:**

Some of our Traditional industries, namely coir , handloom, handicrafts, sericulture, leather, pottery and other cottage industries not only contain great potential for growth and exports, but are integral for the maintenance of our cultural heritage. Accordingly, a Fund for the Regeneration of Traditional

Industries, with an initial allocation of Rs.100 crore will be set up. The details, including mechanism for utilization of the fund will be worked out in consultation with the industries concerned.



### **1.4.3 Cluster Development –A way towards Nation’s development:**

With a contribution of 40% to the country's industrial output and 35% to direct exports, the Small-Scale Industry (SSI) sector has achieved significant milestones for the industrial development of India. Within the SSI sector, an important role is played by the numerous clusters that have been in existence for decades and sometimes even for centuries. According to a UNIDO survey of Indian SSI clusters undertaken in 1996, there are 350 SSI clusters and approximately 2000 rural and artisan based clusters in India. It is estimated that these clusters contribute 60% of the manufactured exports from India.

Despite such achievements, the majority of the Indian SSI clusters share significant constraints like technological obsolescence, relatively poor product quality, information deficiencies, poor market linkages and inadequate management systems. Moreover, with the Indian economy on the path of liberalization, all SSI clusters (even the best performing ones) are increasingly feeling the competitive pressures coming from the international markets.

### **1.4.4 Rural consumers and unexplored rural market:**

For quite some time, the rural India has been the subject of discussion for the corporate houses because of realization of the potential that lies in the rural market. A survey by the NCAER, recently confirmed that rise in rural incomes is keeping pace with the urban incomes. From average of 55-58 % of the average income in 1994-95, the average rural income has gone up to 63-64 % by 2001-2002 and touched almost up to 63-64 % in 2004-05. The number of middle and high income households in rural India is expected to grow from 80 million to 111 million by 2007 where as in urban India; the same is expected to grow from 46 million to 59 million. With a pickup in income in these areas, the demand for goods and services will increase and that should contribute to the overall growth in economy. Increased income in farm sector impacts the entire economy;

however it has an almost immediate impact on some sectors like consumer durables and non-durables, tractors and motorcycles.



#### **1.4.5 Fast Moving Consumer Goods (FMCG) Sector:**

A buoyant economy and growing disposable income have presented several opportunities and challenges before the FMCG sector. The sector is expected to witness more than 50 per cent growth in rural and semi-urban India by 2010, according to an analysis carried out by the Associated Chambers of Commerce and Industry of India. According to Mr. D. Shiva Kumar, Business Head (Hair), Personal Products Division, Hindustan Lever Limited, the money available to spend on FMCG (Fast Moving Consumer Goods) products by urban India is Rs. 49,500 crores as against is Rs. 63,500 crores in rural India. A study by the Chennai based Francis Kanoi Marketing Planning Services says that the rural market for FMCG is worth \$14.4 billion, far ahead of the market for tractors and agricultural inputs which is estimated at \$10 billion. The total numbers of rural households are expected to rise from 135 million in 2001-02 to 153 million in 2009-10. This presents the largest potential market in the world.

The fact that about 50 per cent of HLL's revenues come from the rural areas is a factor that would work to the advantage of the company like HLL. Although companies like HLL and ITC have started Project Shakti and E-choupal, respectively soliciting new pastures, they have not been able to tap the market totally. Owing to their vast potential for growth, companies like Reliance have also decided to jump onto the bandwagon and open retail chains. All of these developments come as no surprise. With 12.2% of the world population living in the villages of India, the Indian rural market is a market that no one can afford to overlook. Companies are now jumping to open retail chains in rural India in order to tap the market that still lies untapped.

#### **1.4.6 Durable Goods:**

Rural areas, where nearly 70 percent of Indians live, have witnessed rapid market growth in recent times, driven largely by agricultural growth, income redistribution, and inroads made by audio-visual media. The rural share of the market for durable goods has grown steadily over the last few years, from 54.2



percent to 57.9 percent in 2004, and in items such as bicycles, mechanical wrist watches, radio/ transistors etc. the share of the rural market was in excess of 75 percent. The rural economy to a great extent decides the direction of sales in industries like Two-wheelers, Tractors, and Cement.

#### **1.4.7 Government Initiatives for Rural Development in India:**

The various programmes launched by the government of India for developing the rural India in a holistic manner are:

- National Food for Work Programme
- National Rural Employment Guarantee Bill 2004
- Swarnjayanti Gram Swarozgar Yojana (SGSY)
- Provision of Urban Amenities in Rural Areas(PURA)
- Rural Housing
- Drinking Water Supply and Sanitation Campaign
- Bharat Nirman Yojana

These are some of the programmes launched by the Govt. of India in order to develop the rural India.

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### **1.5 Conclusion:**

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Development of India's Rural Economy is Vital for Growth. However finance is still the biggest problem for development of rural economy despite it being innovative. People in the rural areas have no money and often tend to go for high-cost borrowings. No venture capitalists or funders have ever come forward to help those communities with social obligations in mind. Who lends the money to those poor people without collateral securities despite having the entrepreneurial capabilities, innovativeness, creativeness and hard working abilities? It is a pity to say that even to this day villagers happen to be bonded laborers to big money launderers due to high cost borrowings which has never been a easy task to repay. There are NGOs and grameen representatives, who have powerful micro-financing model with a business principle in mind and market competitiveness. Venture capital funds for BPL families, to create livelihoods opportunities from them will be a very good idea. If it happens in a more systematic way it will be probably the single largest revolution after the Green Revolution of 1960 in India.



The need of the hour is therefore to boost the rural economy so that it can contribute to the nation's development. One way of achieving it is by adhering to the Millennium Development Goals. The eight Millennium Development Goals (MDGs) – which range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 – form a blueprint agreed to by all the world's countries and the entire world's leading development institutions. They have galvanized unprecedented efforts to meet the needs of the world's poorest. Also, we can develop a cluster-based approach to rural development. All villages should be grouped in clusters and every cluster should be given a fund of Rs.2 billion. To achieve rapid and sustainable economic growth the rural economy needs to be revamped, the road ahead is challenging but efforts have to be consistent.

### **Check Your Progress I**

**Note:** a) Use the space provided for your answers.

b) Check your answers with the possible answers provided at the end of this unit.

1) What is agrarian economy? Explain the various challenges in agriculture.

2) Write a short notes on:

- a) Farm sector
- b) Non-Farm sector
- c) Food processing
- d) Forest resource
- e) Small and cottage industries

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## 1.6 Let Us Sum Up:

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- Rural economy of India is so dominant a fact of the country that almost all the activities of the Indian people bear its stamp. The most important thing about the rural economy is that it is very large, almost co-terminus with the Indian Economy.
- Agrarian economy is one of the oldest forms of economies still in existence. It comes from the word “agrarian” which means agriculture. Agrarian economy has gone through tremendous transformations. The major purpose behind these developments is to increase productivity of the agrarian economy. New ideas and technology are now being incorporated into agriculture.
- In India, the private sector has contributed significantly to produce high quality commercial breeding stocks, poultry equipment, compounded feed, health care products and disease diagnostic facilities. Good genetic stocks, equipment and machinery, medicines and vaccines and skilled manpower are available.
- There is a need to improve processing, preservation and marketing of eggs and poultry products. While the industry is being modernized , it must be remembered that , even now , considerable volume of eggs are being produced by village poultry maintained by very poor farmers, tribal living in remote forest and hilly areas under very adverse and difficult situation.
- The need of the hour is therefore to boost the rural economy so that it can contribute to the nation’s development. One way of achieving it is by adhering to the Millennium Development Goals. The eight Millennium Development Goals (MDGs) – which range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 – form a blueprint agreed to by all the world’s countries and the entire world’s leading development institutions.

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## 1.7 Keywords:

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An *agrarian economy* is a type of economy that relies primarily on agricultural industry including livestock farming or crop production. It is a form of economy whose major factor of production is the agricultural land.

A person's *livelihood* refers to their "means of securing the basic necessities -food, water, shelter and clothing- of life". Livelihood is defined as a set of activities, involving securing water, food, fodder, medicine, shelter, clothing and the capacity to acquire above necessities working either individually or as a group by using endowments (both human and material) for meeting the requirements of the self and his/her household on a sustainable basis with dignity. The activities are usually carried out repeatedly. For instance, a fisherman's livelihood depends on the availability and accessibility of fish.

*Rural-Non-Farm-Sector (RNFS)* includes all economic activities viz., household and non-household manufacturing, handicrafts, processing, repairs, construction, mining and quarrying, transport, trade, communication, community and personal services etc.

A *cottage industry* is a small-scale industry often operated out of a home, rather than out of a factory. Cottage industries are defined by the amount of investment required to start, as well as the number of people employed. They often focus on the production of labor-intensive goods

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## Unit-2

### Rural Market and Problems of Food Security

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#### Learning Objectives:

After completion of this unit, you should be able to:

- *Explain the concept of Food Security*
- *Discuss the challenges and the solutions to food security in rural India*
- *Explain the concept of rural marketing and describe its various features*

#### Structure:

- 2.1 Introduction
- 2.2 Food Security: Conceptual Analysis
- 2.3 Components of Food security
- 2.4 Challenges to achieving Food Security
- 2.5 Addressing Food Security Challenges in India
- 2.6 Rural Market in India
- 2.7 Features of Rural Marketing
- 2.8 Conclusion
- 2.9 Let Us Sum Up
- 2.10 Key Words
- 2.11 References

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#### 2.1 Introduction:

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From a nation dependent on food imports to feed its population, India today is not only self-sufficient in grain production, but also has a substantial reserve. The progress made in agriculture during the last four decades has been one of the biggest success stories of





independent India. Agriculture and allied activities constitute the single largest contributor (almost 33 per cent) to the Gross Domestic Product. About two-thirds of the work force in the country depends on agriculture as a means of livelihood. Despite these impressive gains, India, at present, finds itself in the midst of a paradoxical situation: On the one hand there are record food grain stocks standing at an all-time high (62 million tonnes against an annual requirement of around 20 million tonnes for ensuring food security), and on the other hand, over 200 million of India's population is underfed, and millions are undernourished. The challenge is to bridge this gap.

In a scenario of shrinking land and depleting water resources, the challenge of the new millennium is to increase biological yields to feed the ever-growing population without destroying the ecological foundation. It is thus important—not to package this challenge as a demand or imposition of society on farmers, for which farmers would bear the cost, but as a necessity and methodology to also sustain their welfare and incomes. India has the potential to meet these challenges. This potential can be realized through policy and infrastructure support from the government and by strengthening proactive synergies among the various sectors that play influential roles in the field of agriculture and rural development.

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## **2.2 Food Security: Conceptual Analysis**

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Food security, as defined by the United Nations' Committee on World Food Security, is the condition in which all people, at all times, have physical, social and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. Over the coming decades, a changing climate, growing global population, rising food prices, and environmental stressors will have significant yet highly uncertain impacts on food security. Adaptation strategies and policy responses to global change, including options for handling water allocation, land use patterns, food trade, post-harvest food processing, and food prices and safety are urgently needed. These policy responses will be vital to improve the living conditions of farmers and rural populations across the globe.



Economic growth is only sustainable if all countries have food security. Without country-owned and country-driven food security strategies, there will be obstacles and additional costs to global, regional, and country-level economic growth. Food security needs to encompass women and other vulnerable and disadvantages groups.



Concerns over food security have existed throughout history. There is evidence of granaries being in use over 10,000 years ago, with central authorities in civilizations including ancient China and ancient Egypt being known to release food from storage in times of famine. At the 1974 World Food Conference the term "food security" was defined with an emphasis on supply. Food security, they said, is the "availability

at all times of adequate world food supplies of basic foodstuffs to sustain a steady expansion of food consumption and to offset fluctuations in production and prices". Later definitions added demand and access issues to the definition. The final report of the 1996 World Food Summit states that food security "exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life".

Household food security exists when all members, at all times, have access to enough food for an active, healthy life. Individuals who are food secure do not live in hunger or fear of starvation. Food insecurity, on the other hand, is a situation of "limited or uncertain availability of nutritionally adequate and safe foods or limited or uncertain ability to acquire acceptable foods in socially acceptable ways", according to the United States Department of Agriculture (USDA). Food security incorporates a measure of resilience to future disruption or unavailability of critical food supply due to various risk factors including droughts, shipping disruptions, fuel shortages, economic instability, and



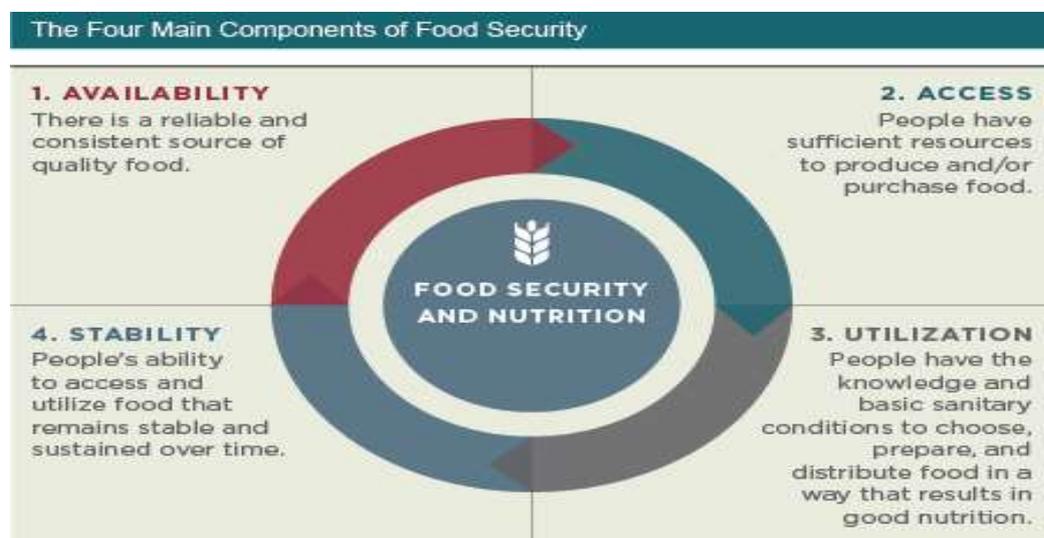
wars. In the years 2011-2013, an estimated 842 million people were suffering from chronic hunger. The Food and Agriculture Organization of the United Nations, or FAO, identified the four pillars of food security as availability, access, utilization, and stability. The United Nations (UN) recognized the Right to Food in the Declaration of Human Rights in 1948, and has since noted that it is vital for the enjoyment of all other rights. The 1996 World Summit on Food Security declared that "food should not be used as an instrument for political and economic pressure". According to the International Centre for Trade and Sustainable Development, failed agriculture market regulation and the lack of anti-dumping mechanisms cause much of the world's food scarcity and malnutrition.

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### 2.3 Components of Food security:

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The WHO states that there are three pillars that determine food security: food availability, food access, and food use. The FAO adds a fourth pillar: the stability of the first three dimensions of food security over time. In 2009, the World Summit on Food Security stated that the "four pillars of food security are availability, access, utilization, and stability"



#### i) Availability

Growth in food production has been greater than population growth. Food per person increased since 1961. (Data source: Food and Agriculture Organization). Food availability relates to the supply of food through production,



distribution, and exchange. Food production is determined by a variety of factors including land ownership and use; soil management; crop selection, breeding, and management; livestock breeding and management; and harvesting. Crop production can be affected by changes in rainfall and temperatures. The use of land, water, and energy to grow food often competes with other uses, which can affect food production. Land used for agriculture can be used for urbanization or lost to desertification, salinization, and soil erosion due to unsustainable agricultural practices.

Crop production is not required for a country to achieve food security. Nations don't have to have the natural resources required to produce crops in order to achieve food security, as seen in the examples of Japan and Singapore. Because food consumers outnumber producers in every country, food must be distributed to different regions or nations. Food distribution involves the storage, processing, transport, packaging, and marketing of food. Food-chain infrastructure and storage technologies on farms can also affect the amount of food wasted in the distribution process. Poor transport infrastructure can increase the price of supplying water and fertilizer as well as the price of moving food to national and global markets. Around the world, few individuals or households are continuously self-reliant for food. This creates the need for a bartering, exchange, or cash economy to acquire food. The exchange of food requires efficient trading systems and market institutions, which can affect food security. Per capita world food supplies are more than adequate to provide food security to all, and thus food accessibility is a greater barrier to achieving food security

#### **ii) Access**

Goats are an important part of the solution to global food security because they are fairly low-maintenance and easy to raise and farm. Food access refers to the affordability and allocation of food, as well as the preferences of individuals and households. The UN Committee on Economic, Social, and Cultural Rights noted that the causes of hunger and malnutrition are often not a scarcity of food but an inability to access available food, usually due to poverty. Poverty can limit access to food, and can also increase how vulnerable an individual or household is to food price spikes. Access depends on whether the household has enough income to purchase food at prevailing prices or has sufficient land and other resources to

grow its own food. Households with enough resources can overcome unstable harvests and local food shortages and maintain their access to food.



There are two distinct types of access to food: direct access, in which a household produces food using human and material resources, and economic access, in which a household purchases food produced elsewhere. Location can affect access to food and which type of access a family will rely on. The assets of a household, including income, land, products of labor, inheritances, and gifts can determine a household's access to food. However, the ability to access to sufficient food may not lead to the purchase of food over other materials and services. Demographics and education levels of members of the household as well as the gender of the household head determine the preferences of the household, which influences the type of food that are purchased. A household's access to enough and nutritious food may not assure adequate food intake of all household members, as intra household food allocation may not sufficiently meet the requirements of each member of the household.

### **iii) Utilization**

The next pillar of food security is food utilization, which refers to the metabolism of food by individuals. Once food is obtained by a household, a variety of factors affect the quantity and quality of food that reaches members of the household. In order to achieve food security, the food ingested must be safe and must be enough to meet the physiological requirements of each individual. Food safety affects food utilization, and can be affected by the preparation, processing, and cooking of food in the community and household. Nutritional values of the household determine food choice, and whether food meets cultural preferences is important to utilization in terms of psychological and social well-being. Access to healthcare is another determinant of food utilization, since the health of individuals controls how the food is metabolized. For example, intestinal parasites can take nutrients from the body and decrease food utilization. Sanitation can also decrease the occurrence and spread of diseases that can affect food utilization. Education about nutrition and food preparation can affect food utilization and improve this pillar of food security. Education brings accountability among people; create awareness, which foster them for food security.



#### iv) Stability

Food stability refers to the ability to obtain food over time. Food insecurity can be transitory, seasonal, or chronic. In transitory food insecurity, food may be unavailable during certain periods of time. At the food production level, natural disasters and drought result in crop failure and decreased food availability. Civil conflicts can also decrease access to food. Instability in markets resulting in food-price spikes can cause transitory food insecurity. Other factors that can temporarily cause food insecurity are loss of employment or productivity, which can be caused by illness. Seasonal food insecurity can result from the regular pattern of growing seasons in food production.

Chronic (or permanent) food insecurity is defined as the long-term, persistent lack of adequate food. In this case, households are constantly at risk of being unable to acquire food to meet the needs of all members. Chronic and transitory food insecurity are linked, since the reoccurrence of transitory food security can make households more vulnerable to chronic food insecurity.

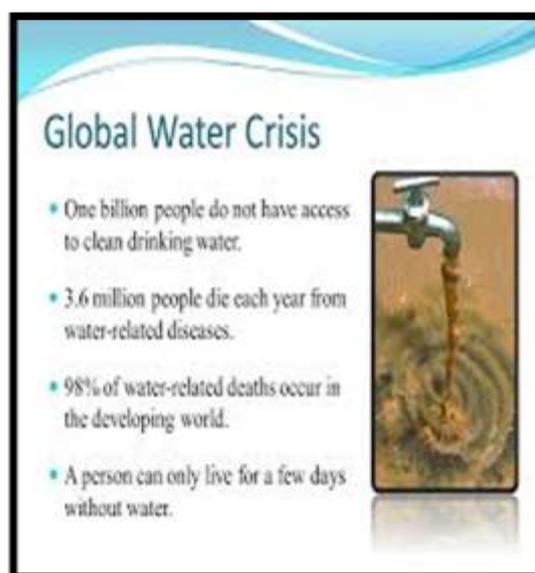
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## 2.4 Challenges to achieving Food Security:

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#### i) Global water crisis

Water deficits, which are already spurring heavy grain imports in numerous smaller countries, may soon do the same in larger countries, such as China or India. The water tables are falling in scores of countries (including northern China, the US, and India) due to widespread over pumping using powerful diesel and electric pumps. Other countries affected include Pakistan, Afghanistan, and Iran. This will eventually lead to water scarcity and cutbacks in grain harvest. Even with the over pumping of its aquifers, China is developing a grain deficit. When this happens, it will almost certainly drive grain prices upward. Most of the 3 billion people projected to be born worldwide by mid-century will be born in countries already experiencing water shortages. After China and India, there is a second tier of



smaller countries with large water deficits – Afghanistan, Algeria, Egypt, Iran, Mexico, and Pakistan. Four of these already import a large share of their grain. Only Pakistan remains self-sufficient. But with a population expanding by 4 million a year, it will likely soon turn to the world market for grain.



### ii) Land degradation

Intensive farming often leads to a vicious cycle of exhaustion of soil fertility and decline of agricultural yields. Approximately 40 percent of the world's agricultural land is seriously degraded. In Africa, if current trends of soil degradation continue, the continent might be able to feed just 25 percent of its population by 2025.

### iii) Climate change

Extreme events, such as droughts and floods, are forecast to increase as climate change and global warming takes hold. Ranging from overnight floods to gradually worsening droughts, these will have a range of effects on the agricultural sector. By 2040, almost the entire Nile region, which once included large areas of irrigated agricultural land, is expected to become hot desert where cultivation is impossible due to water limitation. These effects will include changing productivity and livelihood patterns, economic losses, and effects on infrastructure, markets and food security. Food security in future will be linked to our ability to adapt agricultural systems to extreme events. Efforts to plant wild fruit trees along the coast are helping to prevent soil erosion. The aim is to reduce the communities' vulnerability to the hazards of shifting weather patterns.





**Climate change** is a change in the statistical distribution of weather patterns when that change lasts for an extended period of time (i.e., decades to millions of years). Climate change may refer to a change in average weather conditions, or in the time variation of weather around longer-term average conditions (i.e., more or fewer extreme weather events). Climate change is caused by factors such as biotic processes, variations in solar radiation received by Earth, plate tectonics, and volcanic eruptions. Certain human activities have also been identified as significant causes of recent climate change, often referred to as global warming.

#### **iv) Agricultural diseases**

Diseases affecting livestock or crops can have devastating effects on food availability especially if there are no contingency plans in place. The genetic diversity of the crop wild relatives of wheat can be used to improve modern varieties to be more resistant to rust. In their centre of origin wild wheat plants are screened for resistance to rust, then their genetic information is studied and finally wild plants and modern varieties are crossed through means of modern plant breeding in order to transfer the resistance genes from the wild plants to the modern varieties.

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### **2.5 Addressing Food Security Challenges in India:**

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As has been said earlier, that physical and economic access to nutritive food is basic necessities of life for any person. For any country to focus on the problem of food security it is necessary to ensure availability of adequate nutritive two-square meals a day for all the family members. The survival of a person is important but the quantity of food must meet the nutritional requirement of a healthy and working life of a family member so that the adult working men and women can actively participate in the productive activity and children should not suffer from malnutrition. The issue of food security is equally important both at the national and household/individual level. Often the food security issue is not adequately addressed at the household level. At the national level, higher economic growth and higher production of food-grains can ensure the food availability. But at the household level, intra-household distribution of food requires different approach



because all the family members do not require similar type food and in the same quantity. A number of researchers have made several estimates about the production and shortage of food-grains at the national as well as global level, but most of them indicate that food security needs proper attention. There are conflicting views about the food security at the national level and it was mentioned in Food Security Summit and Expo 96 held at Chennai that India can produce enough food to feed the entire world. Hence, we need not worry. But at the same time it was also mentioned in a study of FAO "Agriculture: Towards 2010" that demand for world cereals will increase by 36 per cent from 1,721 million tonnes in 1989 to 2,342 million tonnes in 2010 while the production of cereals in developing countries is expected to be only 1,314 million tonnes and there will be a gap of 162 million tonnes. However, meeting of this gap will very much depend upon the availability of various new technologies like improved seeds, chemical fertilizer, etc. In general, it has been found that 15 kgs of grains can be produced per kg use of fertilizer nutrients but this seems to be quite low and India is still operating at low level of response. The basic question arises that can we ensure easy accessibility of food grains to the rural poor. It will very much depend upon at what consumption level we consider this demand.

Lester R. Brown of World Watch Institute, Washington has estimated that by 2030 with 8.9 billion people and 2.2 billion tonnes of food grains production at current level of consumption can feed about 2.75 billion Americans; 5.5 billion Italians; and 11.0 billion Indians. Moreover, it is to be noted that consumption behaviour is changing due to increase in the level of income, even in rural areas. But at the same time purchasing power of rural people is declining. As per some estimates the value of a rupee in January 1997 was 37 compared to 30 paisa in 1982 lowest in Mumbai (26 paisa) and highest in Ludhiana (32 Paisa). Per capita availability of food has increased, especially during last two decades but the proportion of per capita income required to buy food has considerably declined. During seventies, to buy a quintal of wheat was 12.9 percent of income, which reduced to only 7 percent by 1980. This also raises a question that what is actual need and whose needs we focus our attention. Also, whether one should focus on luxury needs or survival needs. Experience shows that despite enough food production and buffer stock, not more than 30 to 40 percent people are able to



process or purchase minimum food requirement. Hunger, lack of income, government relief measures are all part of a holistic picture of corruption and exploitation. Several Food Summits have assured and made number of commitments to end hunger but it seems that often there are More Commitment and Less Action. Despite all these promises and commitments, still poverty and hunger is on the increase. UNDP report 1996 clearly pointed out that "the world has become more polarized and gulf between rich and poor has widened

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### **2.5.1 Promote Sustainable Agriculture and Rural Development:**

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Agriculture is directly linked to very many facets of sustainable development, including poverty eradication, sustainable consumption and production, management of natural resources, energy, freshwater, health, education, trade and market access, as well as technology transfer and capacity building. Agriculture is an integral part of the general development system, serving the system as a whole, and being served by it. If the effects of other sections of the development systems reduce sustainability, then sustainability of agriculture is also affected. A sustainable system should be resilient, and able to withstand shocks and failures of parts of its systems without the whole collapsing, and without small shocks leading to a spiral of unsustainability. Agriculture centres on integrated use of natural resources such as soil, water, climate and biological diversity.

The integration of agriculture with other aspects of land management and ecosystem conservation is essential in order to promote both environmental sustainability and agricultural production.

- Natural resources have to be accessible to the poor, which in the farm sector means secure rights to land, water and genetic resources. For this, there is a need to develop public-private partnerships.
- Policies for land and water resource management, biodiversity protection, infrastructure investment, strategy on institutional market reforms, reduction of tariffs and phasing out of possible commodity control are integral to achieving sustainable agriculture.
- Sustainability should be seen in the context of different agro-climatic zones as well as the country as a whole. Suitable technologies should be



developed and indicators for sustainable agriculture should be identified for both.

- It is essential to provide funding for integrated rural development plans, programmes and strategies, at national and regional levels, with particular emphasis on investment in economic and social infrastructure in rural areas, enterprise development, human resource development, and capacity building for local governance
- An efficient credit policy regime with the required rural banking and credit system will play a major role in the future. The government should encourage investment in vital agriculture infrastructure, credit linkages, and use of new and appropriate techniques towards this end.
- More than 70 per cent of the country's agriculture is under small and marginal farmers with limited resources. A nationwide crop insurance scheme will provide such farmers the needed confidence to invest and gain from technological advances in agriculture.
- The focus on accelerated food grains production on a sustainable basis and free trade in grains, as well as on rural employment opportunities will lead to faster economic growth and give purchasing power to the people, which in turn would help increase household food security.
- Concerted efforts should be made at national, regional and local levels to pool, distil and evaluate traditional practices, knowledge and wisdom and to harness them for sustainable agricultural growth.
- It should be recognized that information is a critical input for agricultural development. It is as important as other key inputs including credit, seeds, nutrients and water. Information can be efficiently converted into economically rewarding opportunities.
- It is critical to recognize that the challenge to world agriculture is both technological (requiring the development of new, high productivity, environmentally sustainable production systems), and political (requiring policies that do not discriminate against rural areas in general, and agriculture in particular).



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### 2.5.2 Promote Equitable Distribution and Access:

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A positive right to life would imply that the State provides to each and every person, adequate food and other basic necessities, and that it ensures a healthy environment, so that people may live and grow in dignity. The most important challenge in the 1980s and 1990s was physical access to food. In this millennium, the challenge is economic and ecological access to food.

- A transition from chemical and machinery-intensive technologies to ecological farming technologies is required towards providing sustained physical access to food.
- Environmental access involves on the one hand, attention to soil health care, water harvesting and management, conservation of forests and biodiversity, and on the other hand to sanitation, environmental hygiene, primary health care and primary education.



- Emphasis on economic access underlines the need for promoting sustainable livelihoods through multiple income-earning opportunities.
- It is important to increase food availability in areas where it is produced, thus reducing transport costs and excessive dependence on international markets.
- Shift from existing expensive, inefficient and ineffective institutional arrangements, to decentralized management systems of food storage and distribution will improve delivery, reduce handling and transport costs, and reduce corruption, thereby bringing down the issue price substantially.
- Procurement of grain can be decentralized through creation of food grain banks in each village/block of the district, from where people can get subsidized food-grains (including locally grown coarse cereals) through food coupons.

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### **2.5.3 Secure Food Security for All:**

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Food security is a physical, environmental, economic and social issue. It involves not just production, but access; not just output but process; not just technology but policy; not just global balance but also national conditions; not just national figures but household realities; not just rural but urban consumption; and not just quantity of food but also quality.

- The concept of food security should be broadened to make it holistic so as to mean “every individual has the physical, economic and environmental access to a balanced diet that includes the necessary macro and micro nutrients and safe drinking water, sanitation, environmental hygiene, primary health care and education so as to lead a healthy and productive life.”
- Issues of food security are part of a bigger whole. Sustainable land and water management must be seen as directly linked to food security. Population growth, environmental sustainability, poverty reduction, agricultural production, distribution, marketing, credit and many other factors also need to be recognized as part of this whole.



- The major challenge is to produce additional food while conserving depleting natural resources. It is also to provide physical, economic and ecological access to food and nutrition security at the household level.
- Food security must focus on a diversified food basket, not food grains alone. Broad-based food security systems are not dependent on two-three species but on over 100 species that are underutilized. This will also prevent locally adapted grains from becoming extinct.
- Nutrition security must be given integrated attention by emphasizing horticulture, animal husbandry, fishery, millets, pulses and several other resources for which India is traditionally known. There is need for investment in science and technology that will promote diversification.
- Food security must not be based on market, but rather on self-reliance.
- Strengthen Extension and Capacity Building Mechanisms: In the 21st century, it is increasingly necessary, and increasingly feasible to take a whole systems approach to organized, positive change in rural places. For extension, that means helping farming people toward sustainably increasing productivity—particularly in the small-mixed farming systems in rain-fed areas, in upland areas, and in other places which have been neglected. It also demands measuring success in terms of the consumption of rural people, as well as of their production. And that, in turn, will require agricultural extension systems which help farm men and women organize themselves in ways which empower them—to lead agricultural extension and to exert enough power and influence over agricultural research systems so that they generate useful, practical information which fits the needs and interests of those farming people.
- Agricultural extension must focus on increasing production and productivity of food and fiber in an economically and environmentally sustainable way. It must be done in a way which does not destroy rural livelihoods and rural communities.
- Extension activities should promote more comprehensive rural education and extension programmes directed particularly at rural poor, with major emphasis on efforts to reduce illiteracy, particularly among women and girls.



- It is important to organize education, extension and information, and skill empowerment on the basis of intensification, diversification and value addition of farming systems.
- Partnerships aimed at strengthening the knowledge base, and improving the dissemination of information, such as farm-to-farm technical assistance programmes, can help strengthen agri-extension. Public-private partnerships could be envisaged in basic sustainable agricultural techniques.
- Sustainable agriculture demonstration plots should be set up in research stations, demonstration centres, seed production centers, farmers' training centres etc., of government, cooperative and non-government agencies.
- The system should support a new agricultural extension system that could meet the needs of information-hungry farmers, especially educated youth and women engaged in farming, and would empower them with new techniques and skills that foster sustainable agriculture.

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#### **2.5.4 Ensure Appropriate Application of Research, Science and Technology:**

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- Scientific and technological development is not enough in itself. It is critical to make sure that sustainability and poverty reduction remain the guiding principles, and that we use our resources, harness our intellect, and direct our knowledge to benefit the poor, the hungry and the marginalized.
- The impact of agricultural research is decisive. Such research should, wherever possible, be coupled with on farm activities in order that the context and purpose of the work are fully appreciated. Research should assist in the monitoring, evaluation, and improvement of on farm efforts.
- Research should be undertaken in a participatory and collaborative manner to foster interaction and cooperation between rural people and research institutions. Other institutions must be involved appropriately whenever necessary.
- A comprehensive area-specific database of natural resources should be developed and made available for agriculture planning, implementation,



research and extension. Existing data and information should be assembled, verified, and put in a usable and easily accessible form.

- Well-designed information technology packages should be developed, that could help serve as a market information network; weather, pest and disease monitoring system; and could be a storehouse of various current farming technologies and practices.
- Modern information technology should be used to reach the unreached. Educated youth must be attracted to and retained in farming through spreading science-based precision farming techniques, which are intellectually stimulating and economically rewarding.
- Training and capacity building should be undertaken in areas such as taxonomy, population biology, ethnobotany, and eco-regional and agro ecological surveying. Specific research priorities need to be determined separately for each region.
- Additional research is necessary to develop drought tolerant, pest and disease-resistant crops, biological pest management, nitrogen fixation, more effective use of locally available organic materials, inter-cropping systems, and perennial crops, including agroforestry.
- Farming systems need to be designed so as to achieve the triple goals of more food, more income and more livelihoods per hectare of land. For this, it would be fruitful to harness the tools of eco-technologies resulting from a blend of traditional knowledge with frontier technologies. Such tools include biotechnology, information and communication technology, GIS mapping, space technology, renewable energy technologies (solar, wind, biomass, biogas), and management and marketing technologies.
- The revolution in biotechnology has both promises and problems. Biotechnology should be judiciously used so as to support the mission of environmental protection, poverty reduction and food security. But the adoption of every new technology must be accompanied by a precautionary package. In the case of biotechnology, bio-safety and bio-surveillance must be considered as important factors.

- Food should originate from efficient and environmentally benign production technologies that conserve and enhance the natural resource base of crop and animal husbandry, forestry, inland and marine fisheries.



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### **2.5.5 Recognizing the Value of Agricultural Biodiversity:**

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While a small number of species provides a large proportion of global food needs, hundreds of other species are utilized at a local level, either through cultivation or harvesting. These under-utilized species contribute substantially to household food and livelihood security. They are often managed or harvested by women. Knowledge concerning the uses and management of these species is likewise often localized and specialized. Many under-utilized plants have potential for more widespread use, and their promotion could contribute to food security, agricultural diversification, and income generation, particularly in areas where the cultivation of major crops is economically marginal.

- It is vital to recognize the intrinsic value of biological diversity and of its ecological, social, economic, scientific, educational, cultural, and aesthetic importance. This diversity is being lost in the fields and other ecosystems of virtually all countries.
- High priority needs to be given to safeguarding as much existing unique and valuable diversity as possible in ex-situ collections of plant genetic resources for food and agriculture, and also through in-situ conservation in their natural habitats.
- Goal-oriented, economically efficient and sustainable system of in-situ and ex-situ conservation needs to be developed.
- Cooperation among national programmes and international institutions to sustain in-situ and ex-situ conservation efforts needs to be developed and strengthened. It must be recognized that states have sovereign rights over their own plant and animal genetic resources for food and agriculture.
- A time-bound programme to list, catalogue and classify the country's vast agro-biodiversity with special focus on conserving indigenous breeds and species, must be initiated.

- Agriculture diversity registers should be formed for local and regional varieties. Agriculture policies should be formulated based on these registers.



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## **2.5.6 Relook at Agriculture and Related Policies:**

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It is critical to develop and strengthen appropriate policies and legislative measures to create an enabling environment for sustainable agriculture and rural development. Such an environment would promote access by the poor to land, water resources and other agricultural inputs; land tenure modifications that recognize and protect indigenous and common property resource management systems, and also build local capacities for better management of natural resources.

- Governments should consider, and as appropriate, adopt policies in extension, training, pricing, input distribution, infrastructure development, credit and taxation, which serve as incentives for crop diversification and the creation of markets for biodiverse food crops, including standards for labelling of foods, which allow the highlighting of use of non-standard crop varieties.
- Policies should stress on land reforms, input and output pricing, investments in irrigation, infrastructure and insurance, legislation for biodiversity, geographic appellation, varietal protection and farmers' rights.
- Well-defined and enforceable land rights, legal security of tenure and equal access to land, water and other natural and biological resources, need to be assured, in particular for indigenous communities, women and disadvantaged people living in poverty.
- It must be recognized that states have sovereign rights over their plant genetic resources for food and agriculture, while also confirming our common and individual responsibilities in respect of these resources.
- Coordination is needed to provide national programmes with information on these issues and to assess the impact of international developments in these fields on the conservation and exchange of plant genetic resources,



and to incorporate new research developments, as appropriate, into national systems and practices.

- Effective regulatory mechanisms and safeguards need to be universally installed so that the impacts of biotechnologies are both productive and benign.
- Development of agro-ecology-relevant technologies based on an understanding of local agriculture and resource management practices need to be supported and promoted.
- Chemicals and pesticides banned in developed countries should not be dumped into developing countries in the name of liberalization, globalization and industrialization.
- When patenting a variety or item of research, the area of origin should get due credit and benefit of the patent.
- Before releasing a new variety, including genetically modified varieties in the market, the following parameters should be considered for a variety of agro-climatic zones: Impact on soil productivity; hazardous residual effect; health hazards; adverse effects on other crops; adverse effects on other agricultural practices; threat to the indigenous varieties; impact on other professions; and impact on flora and fauna.

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### **2.5.7 Create Favourable Economic Climate:**

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Agriculture has become a relatively unrewarding profession due to generally unfavourable price regimes and low value addition, causing abandoning of farming and increasing migration from rural areas. The situation is likely to be exacerbated further in the wake of integration of agricultural trade into the global system, unless immediate corrective measures are taken. A favourable economic environment and supportive public management system are the key pillars for the promotion of sustainable agriculture.

- Capital inadequacy, lack of infrastructural support and demand side constraints such as controls on movement, storage and sale of agricultural products, etc. affect the economic viability of agriculture sector. These issues need urgent attention.



- Increasing capital formation and farmer's own investments by removal of distortions in the incentive regime for agriculture, improving the terms of trade with manufacturing sectors and bringing about external and domestic market reforms, backed by rationalization of domestic tax structure, will help to create a favourable economic environment for agriculture.
- Agriculture-dependent countries like India should have a certain degree of autonomy and flexibility in determining the domestic agricultural policies so as to improve productivity, enhance income levels, reduce vulnerability to market fluctuations, ensuring stability of prices, etc.
- Creating a level playing field in the global marketplace will provide the necessary incentives and leeway for farmers, especially the small ones to adopt environmentally friendly farming practices, and help in avoiding, their desperate acts of survival at the expense of sustainable development, due to distortions in international trade.
- In the context of globalization of the food market, farmers in developing countries need to improve access to their own local markets. A 'market plus rather than a pure market approach for the agricultural sector would be effective in addressing the wide range of issues associated with production, pricing, food distribution and access.
- At international forums, developing countries like India should have the necessary flexibility to pursue legitimate non-trade concerns with regard to international markets. Such countries should seek reforms in global agricultural policies relating to price, subsidies, trade and technology transfer, and respect for IPRs of local communities.
- International agreements should allow room for the domestic agricultural sector to meet challenges of maintaining the livelihood of the large agriculture-dependent population, and production of sufficient food to meet domestic needs.
- Agricultural food processing industries with international health standards should be promoted locally.
- Biomass based entrepreneurship should be promoted to generate wealth at the rural level.

- Civil society groups should use benchmarks and sustainability indicators to monitor performance of food processors, retailers and food service companies, especially regarding fair terms of trade.



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### **2.5.8 Ensure Participation at all Levels, and Protection of Rights:**

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National programmes are increasingly confronted with policy, legal and institutional issues related to ownership, intellectual property rights, exchange, transfer and trade in agricultural resources. Participatory processes and involvement of various stakeholders can help find answers to such concerns. Towards this it is crucial to develop a framework for a unified national programme to enhance the diverse efforts within the country to tackle such issues.

- Programmes and policies for food and agriculture activities should involve public and private institutions and companies, non-governmental organizations, communities and individuals from the agriculture, environment and development sectors.
- The role of indigenous and local communities in conserving, collecting, improving and sustainably using plant genetic resources for food and agriculture must be acknowledged. Local community-level initiatives and participation in proposing programmes need to be encouraged.
- Gender concerns in agriculture need to be mainstreamed. Appropriate structural, functional and institutional measures to empower women and build their capabilities and improve their access to inputs, technologies and other farming resources need to be strengthened.
- The need for equitable sharing of benefits arising from the use of traditional knowledge, innovations and practices relevant to the use and conservation of plant genetic resources for food and agriculture must be recognized.
- Nutrition security must be placed high on the agenda for development plans and programmes at all levels—village, block, district and state. Institutions that will design and monitor locality-specific interventions must be developed.

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## 2.6 Rural Market in India:

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Though there are various unauthorized definitions and most of them have undergone changes with passage of time. The National Sample Survey Organisation (NSSO) defines rural markets as those areas with fewer than 5,000 residents, a population density less than 400 people per square kilo meter and at least 75 percent of the male working population employed as agriculturists. How big is this Rural Market in India? As per the latest 2011 Census conducted by Government of India, around 83.3 crore (69%) people reside in Rural areas. There is a growth in absolute numbers, though there is a decline in percentage terms. Contrast this with rural population numbers of China, a comparable market for India, one can find that the rural population decreased from 80 crore people to 65 crore people in the same time period of 2001 to 2011. Thereby India stands No. 1 position in terms of rural population in the world.



The following are some myths about rural markets and rural consumers:

- **Not a Significant Market:** Some people feel that rural consumers are not worth bothering about and can be neglected because they tend to buy unbranded products rather than the branded variety. In reality, there is a potential for branded products if a company can fulfil the requirement of the consumers through effective market segmentation and targeting strategies. However, price-consciousness is also a key factor. Hence,



solution may be to give economy packs. Also as a market, 12.2% of world's population lives in rural India, so this market cannot be ignored.

- ***Rural consumers will take whatever is given:*** Another myth that marketers believe is that rural consumers are not demanding. They will buy any product that is available on the shelf. It is not true anymore with high penetration of TV medium, rural consumers also have access to information and rapidly changing their preferences.
- ***Rural market is only a low priced goods market:*** One of the important misconceptions about rural consumers is that they are more sensitive to price. But in reality, there are affluent sections in parts of rural India who are buying premium brands also. So segmentation and targeting of rural market is required. Brand loyalty: Rural consumers can't be counted as blindly loyal. It's true that rural consumers are quite loyal to some brands, for example, chyavanprash or toothpaste brands like Colgate, which have made efforts to build their brand names in rural area. It does not mean that there is no space for others. Dettol has slowly risen in the soaps market and now has become a challenger to Lifebuoy. Lifebuoy accounts for 14-15 per cent of the Rs 3,000-crore health soaps market, while Dettol has a share of 8.2 per cent.
- ***Rural marketing is only about distribution:*** Distribution is clearly the key to rural marketing. But it's wrong to imagine that distribution is all that matters. Rural consumers are not cocooned from the urban world. If marketers do not capture the opportunity to satisfy the needs of rural consumers, then rural consumers will search for other alternatives to fulfil their needs.
- ***One Communication/Marketing Strategy fits all:*** Rural India is characterized by more than 30 languages, 1650 dialects, and diversity in castes, sub-castes, tribes, culture, and subculture. Brands and products need to be presented and promoted in a manner that caters to the local cultural and social sensitivities. Hence, it becomes imperative for marketers to use a multilevel approach for product promotion and to keep the distinct regional dynamics in mind before planning a marketing strategy.



The top issue by far for Indian agriculture is increasing productivity. This is due to a need for more effective integration of smallholder farmers in markets by providing necessary rural marketing infrastructure, strengthening the capacity of farmers to access and use information for problem solving, and increasing the quality of agricultural research and education. In addition, productivity is low in part because smallholder farmers produce less than their potential due to the poor adoption of best practices. The need for technology varies among farmers according to their natural resource base, land quality, water availability, and connections to local and regional markets. Developing best practices in crop cultivation based on scientific methods, including applying fertilizers based on soil testing and optimizing water use with micro-irrigation system can help increase productivity. This is something the federal government is starting to understand, and India's twelfth five-year plan, covering 2012–17, emphasizes food security and also discusses ways to increase agriculture productivity. There is a huge potential for small farmers to increase sustainable productivity.

Another key issue for productivity enhancement is the development of high-value commodity supply chains. While this has been happening in the India in the last ten to fifteen years, it has been driven largely by the private sector. A much greater role for the public sector could help facilitate the process of engagement between farmers and the private sector.

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## **2.7 Features of Rural Marketing:**

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The main reason why the companies are focusing on rural market and developing effective strategies is to tap the market potential that can be identified as follows:

- ***Large and scattered population:***

According to the 2001 census, 740 million Indians forming 70 per cent of India's population live in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.



- ***Higher purchasing capacity:***

Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.

- ***Market growth:***

The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines have also grown over the years.

- ***Development of infrastructure:***

There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.

- ***Low standard of living:***

The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness. This is different in different parts of the country. A consumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.

- ***Traditional outlook:***

The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.

- ***Marketing mix:***

The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers

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## **2.8 Conclusion:**

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Food security is not only physical and economic access of minimum quantity of food for survival but includes the nutritional aspects also. While addressing the



issue of food security it is necessary to consider food security in a much broader perspective. Food security is directly related to poverty and inequality in productive resources. The rate of growth of population, economy, inflation, agricultural sector and development of human resources equally affect the overall quality of life of rural people, whether in rural or sub-urban and urban areas. Semi-urban people face the problem of food insecurity mainly because most of them do not own any productive resource, except their own labour.

A few of them, who own productive resource like land, face the problem of indiscriminate use of land for other purposes than cultivation due to expansion of cities and small towns. Proper identification of poor as a target group suffering from malnutrition and food insecurity itself is the main problem in cost-effective food management system. Export-led growth of agricultural commodities is necessary to avail the benefit of access to international market but food security cannot be compromised with export-led growth. It is necessary that agriculture, which supports majority of people, must focus on increasing food production. Broad-based agricultural growth with wide coverage and focus on increasing labour productivity as well as labour use intensity would be more useful strategy for increasing economic access of food to the rural poor.

Agriculture should be diversified with product-mix based on the crop suitability of region that can have value addition. Moreover, non-price factors such as public irrigation, human resource development, and yield-increasing technologies are equally important in improving agricultural as well as labour productivity. Often it is reported that food for poor people through public distribution system does not reach to them and also the quality of food products is very poor. In addition, the transaction cost for procurement and distribution of food is often too high. This requires proper management and active participation of private sector also. The bureaucratic hurdles and administrative cost substantially increases the food subsidy. Hence, food management system should be redesigned and responsibility of procurement and distribution should be entrusted to local people at local level by their greater involvement.



## Check Your Progress II

**Note:** a) Use the space provided for your answers.

b) Check your answers with the possible answers provided at the end of this unit.

3) What is Food Security? How would India address the problems of food security?

4) What is Rural Market? What are the key features of rural marketing?

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## 2.9 Let Us Sum Up:

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- Food security, as defined by the United Nations' Committee on World Food Security, is the condition in which all people, at all times, have physical, social and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.
- Over the coming decades, a changing climate, growing global population, rising food prices, and environmental stressors will have significant yet highly uncertain impacts on food security. Adaptation strategies and policy responses to global change, including options for handling water allocation, land use patterns, food trade, post-harvest food processing, and food prices and safety are urgently needed. These policy responses will be vital to improve the living conditions of farmers and rural populations across the globe.



- Economic growth is only sustainable if all countries have food security. Without country-owned and country-driven food security strategies, there will be obstacles and additional costs to global, regional, and country-level economic growth. Food security needs to encompass women and other vulnerable and disadvantaged groups.
- The WHO states that there are three pillars that determine food security: food availability, food access, and food use. The FAO adds a fourth pillar: the stability of the first three dimensions of food security over time. In 2009, the World Summit on Food Security stated that the "four pillars of food security are availability, access, utilization, and stability"
- There are conflicting views about the food security at the national level and it was mentioned in Food Security Summit and Expo 96 held at Chennai that India can produce enough food to feed the entire world Hence we need not worry. But at the same time it was also mentioned in a study of FAO "Agriculture: Towards 2010" that demand for world cereals will increase by 36 per cent from 1,721 million tonnes in 1989 to 2,342 million tonnes in 2010 while the production of cereals in developing countries is expected to be only 1,314 million tonnes and there will be a gap of 162 million tonnes. However, meeting of this gap will very much depend upon the availability of various new technologies like improved seeds, chemical fertilizer, etc.

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## 2.10 Keywords:

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- **Food security**, as defined by the United Nations' Committee on World Food Security, is the condition in which all people, at all times, have physical, social and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.
- **Rural markets**, as defined by The National Sample Survey Organisation (NSSO), are those areas with fewer than 5,000 residents, a population density less than 400 people per square kilometer and at least 75 percent of the male working population employed as agriculturists.



- **Climate Change** is a change in the statistical distribution of weather patterns when that change lasts for an extended period of time
- **Agricultural Bio-diversity:** It is a broad term that includes all components of biological diversity of relevance to food and agriculture, and all components of biological diversity that constitute the agricultural ecosystems, also named agro-ecosystems: the variety and variability of animals, plants and micro-organisms
- In simplest terms, **sustainable agriculture** is the production of food, fiber, or other plant or animal products using farming techniques that protect the environment, public health, human communities, and animal welfare.
- **Rural development** is the process of improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas. Rural development has traditionally centered on the exploitation of land-intensive natural resources such as agriculture and forestry.

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## Unit-3

### Income Generation Programmes

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#### Learning Objectives:

After completion of this unit, you should be able to:

- *Understand the need for income generating activities in rural India*
- *Enlist and understand the various income generating activities by the government*
- *Compare the features of the various programmes of the government*

#### Structure:

- 3.1 Introduction
- 3.2 Employment Programmes in India
- 3.3 Wage Employment Programmes
- 3.4 Let Us Sum Up
- 3.5 Key Words
- 3.6 References
- 3.7 Check Your Progress – Possible Answers

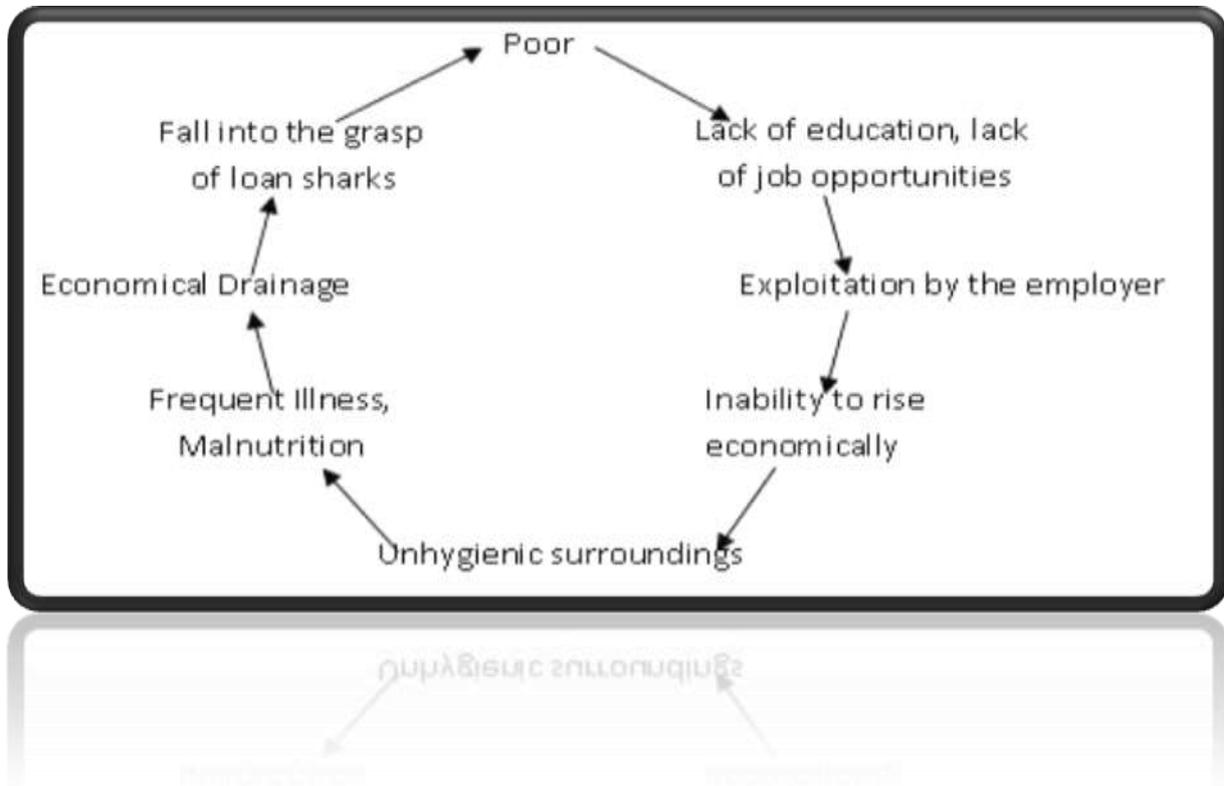
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### 3.1 Introduction:

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“India lives in its villages”. This statement of Mahatma Gandhi, the Father of the Nation, is relevant even today from the political, social and economic perspectives of India. As per the Census 2011, India’s total population is 121.02 crore, of which 68.84 per cent (83.31 crores) live in the rural areas and only 31.16 per cent (37.71 crores) are in the urban area (Registrar General & Census Commissioner, 2012). Rural life in India is characterised by poverty, unemployment, as well as poor and inadequate infrastructure, and these will have a cascading effect on urban centres by causing slums and economic and social tension. Hence, the development of rural areas received more attention by way of the various schemes

designed for the development of Indian economy. The unemployment scenario in the country over the years is quite a substantial evidence of rural backwardness and all sorts of developmental needs. The rise in unemployment has been a silent phenomenon in India.



According to the National Sample Survey's 55th round, unemployment as a percentage of labour force rose from 5.99 per cent in 1993-94 to 7.32 per cent in 1999-2000 (Government of India, 2012). Based on the National Sample Survey, the International Labour Organisation has reported that the total employment grew by only 1.1 million, from 2004-05 to 2009-10. However, the total employment in India expanded by 13.9 million from 2009-10 to 2011-12. As per the report on the 'Third Annual Employment and Unemployment Survey, the unemployment rate is estimated to be 4.7 per cent at the all India level (Govt. of India, 2013). Despite relatively low labour force participation rate, the unemployment rate is significantly higher among females as compared to that among males. At the all India level, the female unemployment rate is 7.2 per cent whereas for males, the rate is 4.0 per cent. It should be noted that the unemployment rate is lower (4.4 per cent) in rural areas whereas, in urban areas, the same is 5.7 per cent (Govt. of India, 2013). To a great extent, the size of employment in a country depends on



the level of development. So, when a country makes progress and its production expands, the employment opportunities also grow. In India, during the past three decades, production has increased in all sectors of the economy, which has led to an increase in the level of employment.

As against the GDP growth at an average rate of 6.4 per cent between 1992-93 to 2000-01, the employment growth declined from 2 per cent to 1 per cent. Thus, the country has been witnessing a jobless growth in the recent years. This was due to the fact that the rate of economic growth was lower than the targeted rate and so, adequate number of jobs was not created. It is also argued that economic growth in India in the early 2000s had not led to much employment generation. The overall employment growth story of the country during the last two decades was not appreciable as it declined slightly over the two decades. This was particularly true for rural areas while urban areas maintained a better annual growth rate.

The Planning Commission of India for the 11th Five Year Plan (2007-12) reported that, at the end of 2004-05, the rural labour force stood at 303.2 million as against the rural employed work force of 278.1 million, leaving 25 million people unemployed. The Government initiatives during the 10th Five Year plan were successful in generating an additional 26.9 million job opportunities. However, there was an addition of 32.6 million to the work force during the Plan period. Thus, in spite of significant initiatives for employment generation, the rate of increase in labour force had been faster than the rate of increase in employment, leading to a rise in unemployment. The unemployment rate among rural agricultural households increased from 12.3 per cent during the 10th Five year Plan to 15.3 per cent during the 11th Five Year Plan.

In the rural sector, agriculture and allied activities account for most of the employment. A sector-wise analysis of employment data makes it clear that there was a decline in employment in agriculture from 65.42 per cent in 1983 to 52.06 per cent in 2004-05 (Government of India, 2013). The diversification of employment away from agriculture during the 1980s resulted in an overall growth of rural employment and thereby a decline in the incidence of rural poverty. The



main source of employment generation in the rural sector during the period was the Central and State Governments-sponsored employment generation programmes offering increased subsidies. Moreover, as a result of the conscious policy of rural development, about 80 per cent of all new Government jobs created occurred in rural areas. Nowadays, the strategy of rural development focuses mainly on poverty alleviation, better livelihood opportunities and provision of basic infrastructural facilities through innovative programs of wage and self-employment.

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### **3.2 Employment Programmes in India:**

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“Growth with Social Justice” has been the basic objective of the development planning in India since independence (Planning Commission, 2001). The prevalence of unemployment and poverty was viewed as the most serious concern for development. But the Government did not frame any specific long-term policy for solving the unemployment problem because, for quite some time, it was thought that economic growth would result in increased employment opportunities and that accelerated rate of economic growth would be able to meet substantially the employment requirements of the growing labour force. This, however, did not happen, as the number of unemployed increased from 22 million in 1969 to 42 million in 2004. The Government, therefore, laid increased emphasis on taking up schemes for providing additional employment opportunities and various special schemes of employment generation – both self-employment and wage-employment programmes.

The poverty alleviation programmes serve as the basis for a direct attack on poverty. These programmes essentially aim at generating incremental incomes for the poor. This means a direct transfer of additional purchasing power into the hands of people living below the poverty line. It is also an attempt to alleviate the problem of almost negligible “trickle down” from economic growth to the bottom rungs of society because of structural constraints. India has implemented a number of income and employment generating programmes for poverty alleviation in the last three decades.



In addition to these national-level programmes (past and present) undertaken by the federal Government, several NGOs and voluntary associations have initiated micro-level training with or without outside assistance. These programmes, using the methods of non-formal education, have proved to be very popular, especially amongst women and children who either dropped out of school or never attended in the first place. The programmes have emphasized the development of income-earning capacities and self-sufficiency on the part of their beneficiaries.

There is no doubt that these income and employment generation programmes implemented by both the Government and NGOs during the last three decades have had some impact on the level of poverty in the country. The Government claims that the proportion of the population below the poverty line has gone down by more than 20 percentage points, in other words, from a little more than 50 per cent in the 1960s to a little less than 30 per cent in the 1990s.

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### **3.2.1 Integrated Rural Development Programme (IRDP):**

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IRDP is a rural development program of the Government of India launched in financial year 1978 and extended throughout India by 1980. It is a self-employment program intended to raise the income-generation capacity of target groups among the poor. The target group consists largely of small and marginal farmers, agricultural labourers and rural artisans living Below Poverty Line (BPL). The pattern of subsidy is 25 per cent for small farmers, 33-1/3 per cent for marginal farmers, agricultural labourers and rural artisans and 50 per cent for Scheduled Castes and Scheduled Tribes families and physically handicapped persons. The ceiling for subsidy is Rs.6000/- for Scheduled Castes and Scheduled Tribes families and the physically handicapped; for others, it is Rs.4000/- in non-DPAP/non-DDP areas and Rs.5000/- in DPAP and DDP areas. Within the target group, there is an assured coverage of 50 per cent for Scheduled Castes and Scheduled Tribes, 40 per cent for women and 3 per cent for the physically handicapped. Priority in assistance is also given to the families belonging to the assignees of ceiling surplus land, Green Card holders covered under the Family Welfare Programme and freed bonded labourers.



IRDP is a major self-employment programme for poverty alleviation. The objective of IRDP is to provide suitable income-generating assets through a mix of subsidy and credit to below-poverty-line families with a view to bring them above the poverty line. A family with an annual income of Rs. 20,000/- and below per annum is considered to be below the poverty line based on the 1998 below Poverty Line Census.

The aim is to raise recipients above the poverty line by providing substantial opportunities for self-employment. During the 7<sup>th</sup> five-year plan, the total expenditure under the program was Rs 33.2 million, and Rs 53.7 million of term credit was mobilized. Some 13 million new families participated, bringing total coverage under the program to more than 18 million families. These development programs have played an important role in increased agricultural production by educating farmers and providing them with financial and other inputs to increase yields.

The objective of IRDP was to enable identified rural poor families to cross the poverty line by providing productive assets and inputs to the target groups. The assets which could be in primary, secondary or tertiary sectors, were provided through financial assistance in the form of subsidy by the government and term credit advanced by financial institutions. The program was implemented in all the blocks in the country as a centrally sponsored scheme funded on 50:50 basis by the centre and the state. The scheme was merged with another scheme named Swarnajayanti Gram Swarozgar Yojana (SGSY) since 01.04 1999.

The scheme was introduced because the Government of India realized that the piecemeal efforts in the sphere of rural development had not achieved the targeted objectives. The IRDP was proposed to provide self-employment opportunities to the rural poor through provision of capital subsidy and bank credit so as to help rural poor acquire productive income-generating assets and training to upgrade their skills.

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### 3.2.2 Training of Rural Youth for Self-employment (TRYSEM):

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TRYSEM was initiated to provide basic technical and managerial skills to rural youth from families below the poverty line to enable them to take up self-employment and wage employment in the broad fields of agricultural and allied sectors, namely industries, services and business services.

TRYSEM was perhaps the largest scheme launched by the Government of India to address the problem of training the rural youth for employment. Training was imparted through formal institutions, including industrial and servicing units, commercial and business establishments and through master craftsmen. The duration of a course did not exceed six months. The trainees were eligible for loans from the banks under the integrated rural development program, being implemented in all the districts of the country. The states bear 50 percent of the expenditure on the scheme, with the central government covering the rest. (In the union territories, the central government covers the entire expenditure). The government covers the recurring costs towards the stipend paid to the trainees, the honoraria for the trainers, etc.; and also assists the training institutions to develop the requisite infrastructure in the form of building, equipment, and training aids. The trainees were supplied free tool-kits during their training. The tool-kits were supplied to help the trainees to gain the practical experience in the use of their tools. TRYSEM was merged with a new self-employment program called Swarna Jayanthi Gram Swarajgar Yojana (SGSY) with effect from 1-4-99.

- **Target group:** Rural youth aged 18-35 were eligible; age is relaxed to 16 for inmates of orphanages in rural areas and up to 45 in the case of widows, freed bonded labourers, freed convicts, persons displaced from large development projects, and cured leprosy patients. The programme was expected to cover a minimum of 50 percent of the youth from the scheduled caste and tribe communities and a minimum of 3 percent from the ranks of the physically handicapped.



- **Outcome of the programme:** The period, 1980 - 1996, was assessed for the outcome results. During this period, relative to the needs for training of rural youth, the role of the scheme has been rather modest. Over the 16 year period (1980 - 1996), nearly 3.9 million rural youth were trained. Only about 53% of the trained rural youth were employed; and almost a quarter of them had found work as wage employees rather than as self-employed. During the Eighth Plan Period 1992-97, nearly 1.5 million youth had been trained under TRYSEM. About 49% had been employed, nearly 69% as self-employed and the rest as wage-employees.

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### **3.2.3 Development of Women and Children in Rural Areas (DWCRA):**

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Another programme, Development of Women and Children in Rural Areas (DWCRA), was introduced in September 1982, in 50 districts on a pilot basis on account of the lesser provision and benefit for women under IRDP during the first three years of the 6<sup>th</sup> Five Year Plan. The basic objective was to provide necessary support services to enable the women to take up income-generating activities. The scheme aimed at improving the living conditions of women and children by providing opportunities for self-employment and access to basic social services. The main strategy adopted under this programme was to facilitate poor women in the rural areas with employment, skill upgradation, training, credit and other support services so that the DWCRA women can take up income-generating activities for supplementing their incomes.

Assistance was to be given either to individual women or to organized groups of women to take up economically viable activities. Under the scheme, women were granted assistance to take up viable economic activities with Rs. 15,000 as a one-time grant to be used as a revolving fund. Analysing the rural development and poverty alleviation programmes, the Planning Commission for the 7<sup>th</sup> Plan reported that the outlay for the scheme during the Sixth Plan was Rs. 15.60 crore, which was to be shared equally by the Centre and the States. It was also felt that



Government efforts were to be supplemented by voluntary agencies also. Thus, assistance from UNICEF was also made available to the extent of Rs. 5.40 crore. During the 6<sup>th</sup> Plan alone, 3308 Groups covering 52170 women beneficiaries were actually organized under the Programme (Planning Commission, 1985). During the Seventh Plan, the scheme was extended to 161 districts and about 28,000 groups were formed during this period against the target of 35,000 with a membership of 4.6 lakh women (Planning Commission, 1992). During the Eighth Plan, the programme was extended to all the districts of the country and the Union Government took several initiatives to strengthen the programme. The revolving fund was increased from Rs.15,000 to Rs.25,000 and the formation of smaller DWCRA groups was permitted in remote areas.

The Child Care Activities scheme was introduced in the DWCRA programme in 1995-96 with the objective of providing child care services for the children of DWCRA women. Similarly, the Information, Education and Communication (IEC) component was introduced to generate awareness among rural women about the development programmes implemented for their uplift and welfare. Altogether, 141386 DWCRA groups covering 2268327 women were formed during the 8<sup>th</sup> Plan, spending 190.74 crore (Planning Commission, 1998). The Working group on rural poverty alleviation programmes for the 10th Five Year Plan reported that 2.73 lakh groups were formed with 41.45 lakh members under the DWCRA during 1982-83 to 1998-99 (Planning Commission, 2001). The DWCRA was merged into Swarnjayanti Gram Swarozgar Yojana (SGSY) in 1999.

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### **3.2.4 Supply of Improved Toolkits to Rural Artisans (SITRA):**

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Under this programme, improved toolkits were provided to rural artisans (except weavers, tailors, needle workers and beedi workers) all over India at 90 per cent subsidy, to ensure increased income to the beneficiaries, besides achieving improved quality of life, enhanced production and reduction in migration to urban areas. The scheme was launched in July 1992, as a subsidiary scheme of IRDP in selected districts and was then extended to all the districts of the country. The



scheme aims at supply of a kit of improved hand tools within a financial ceiling of Rs.2000, for which the artisans need pay only 10 per cent, while the remaining 90 per cent is the subsidy from the Government of India. The supply of power-driven tools costing Rs.4500 is also permitted under this scheme. Besides this, the artisans were trained under TRYSEM and any additional finance required by the artisans was to be provided through loans under IRDP. Since the inception of this scheme in 1992-93, up to 1998-99, 10.61 lakh toolkits were been distributed to rural artisans at an expenditure of Rs.209.92 crore. The scheme was merged into Swarn jayanti Gram Swarozgar Yojana (SGSY) in 1999.

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### **3.2.5 Ganga Kalyan Yojana (GKY):**

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In order to focus on the irrigation requirements of small and marginal farmers, Ganga Kalyan Yojana (GKY) was introduced in 1996-97 as a sub-scheme of the IRDP. Though a provision of Rs. 19081.50 lakh was made by the Central Govt. in this direction during 1996-97, the fund was actually released during March 1997, and only Rs 1093.545 lakh was utilized during 1997-98. Altogether, 6142 individuals and 1536 groups were also benefited under the scheme with the provision of wells and tube wells (Planning Commission, 2002). Due to some operational problems in its implementation, the scheme was discontinued from 1998-99 and the unutilised funds were pooled with the new scheme of Swarnjayanti Gram Swarozgar Yojana (SGSY) with effect from 1.4.1999.

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### **3.2.6 Million Wells Scheme (MWS):**

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The Ministry of Rural Areas and Employment launched a Million Wells Scheme (MWS) in 1988-89. The objective of the scheme was to provide open wells, free of cost, to poor SC/ST farmers in the category of small and marginal farmers, and to free bonded labourers. Where such wells were not feasible, the amounts allotted were to be utilised for other schemes of minor irrigation projects and activities like irrigation tanks, water harvesting structures and also for development of lands of SCs/STs and freed bonded labourers. The beneficiaries had to undertake the construction of wells through their own labour and local labour for which they

were to be paid. Thus, the scheme could help in the creation of employment and capital formation. Till 1998-99, a total of 1308433 wells were constructed under MWS with an expenditure of about Rs. 4976.63 crore.



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### **3.2.7 The Swarnjayanti Gram Swarozgar Yojana (SGSY):**

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The SGSY was the major self-employment scheme to bring the assisted rural poor families (swarozgaris) above the poverty line by providing them income-generating assets with the help of bank credit and government subsidy. The scheme was introduced on the assumption that the rural poor had competencies of producing valuable goods and services, if they were given the right support and assistance by the Government. The scheme was launched in April 1999, by restructuring the erstwhile rural development programmes like IRDP and its allied programmes, namely, TRYSEM, DWCRA, SITRA and GKY besides MWS. The programme covered all aspects of self-employment such as selection of key activities, planning of activity clusters, organization of the poor into Self Help Groups (SHGs) having 10-15 members, and building their capacities through social mobilization, training and skill development, creation of infrastructure, provision of technology and marketing support, etc. The SGSY was implemented by the District Rural Development Agencies (DRDAs) with the active involvement of Panchayati Raj Institutions (PRIs), banks, State government and Non-Government Organizations (NGOs). Key activities selected were to be such as give the Swarozgaris an income of Rs 2000 per month, net of bank loan repayment. The programme provided special safeguards for the weaker sections and women. It was provided that 50 per cent of the groups formed and 40 per cent of the Swarozgaris assisted should be women. Similarly, SC/STs should constitute 50 per cent, and the disabled should constitute 3 per cent of the Swarozgaris assisted. Further, 15 per cent of the funds under the SGSY was set apart at the national level for special projects, which had self-employment generation potential in rural areas. The fund under the programme was shared between the Centre and the State on the proportion of 75:25. As per the guidelines, the SHGs had to open an account in a nearby bank to get the loan from that the bank and also to deposit the fund raised by them in the bank. The SHGs would receive a



revolving fund of Rs. 25,000 from banks as cash credit facility. Of this, Rs. 10,000 would be given to the bank by the DRDA and the banks were to charge interest only on the sum exceeding Rs. 10,000. The subsidy allowed under the programme was uniform at the rate 30 per cent of the project cost, subject to a maximum of Rs.7500 per individual Swarozgari, 50 per cent of the project cost subject to a maximum of Rs.10000 in the case of STs & SCs and disabled Swarozgaris, 50 per cent of the cost of the scheme subject to a ceiling of Rs.1.25 lakh for group projects. The monetary ceiling on subsidy was not applicable to irrigation projects. The funds for the SGSY were shared on 75:25 basis between the Central and State Governments.

During the last three years of the 9<sup>th</sup> Plan (1999-2000 to 2001-02), Rs 4480.85 crore was made available under the programme, of which Rs 2576.09 crore was actually utilized. A total of 742354 SHGs were formed during the period. Total Swarozgaris assisted during the period numbered 24, 44,292, out of whom individual Swarozgaris were 15,74,258 (Planning Commission, 2002). During the 10<sup>th</sup> Plan, 56,82,132 beneficiaries took advantage of the scheme with a fund utilisation of Rs. 6018.35 crore. Reference to the Draft Approach Paper to the Twelfth Five-year Plan reveals that though the 11<sup>th</sup> Plan recommended a total outlay of Rs 17803 crore for SGSY, the actual budgetary allocation was only Rs. 12334.3 crore ( 69.3 per cent).

Poor administration and management of the scheme and inadequate banking staff, leading to non-repayment of loans, were noted as the major difficulties in the implementation of the scheme. Since 2011, SGSY has been renamed as **National Rural Livelihood Mission (NRLM)** along with incorporation of new provisions. NRLM is designed as a demand-driven programme and the State Governments have to formulate their own poverty reduction action plans based on their past experience, resources and skills base. Similarly, NRLM will provide for a professional support structure for implementation at all levels from National to Sub-district level in different streams.

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### 3.3 Wage Employment Programmes:

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Poverty eradication has been one of the major objectives of the development planning process in India since the inception of the formal planning process in the country in 1951. Among the poverty alleviation schemes, the wage employment programmes play an important role as they are intended to provide employment opportunities to the rural poor not only during lean agricultural seasons but also in times of floods, droughts and other natural calamities. These programmes help in the creation of community assets such as village ponds, schools, rural roads, etc., for the direct and continuing benefits of the poverty groups. These programmes had also put an upward pressure on market wage rates by attracting people to public works programmes, thereby reducing labour supply and pushing up demand for labour. Enhanced allocations by Central and State Governments for the provision of education, health, sanitation and other facilities for the rural poor have certainly made improvement in the overall quality of life in the rural areas. Believably, due to the sustained efforts of Government interventions, rural poverty could be brought down from 56.4 per cent in 1973-74 to 37.3 per cent in 1993-94 and further to 28.3 per cent in 2004-05 (Planning Commission, 2008). In short, with over 300 million poor people living in poverty, the country has been struggling to find ways to eradicate poverty (Planning Commission, 2008). Since 1960, a series of wage employment programmes for the rural poor have been launched by the Government of India.

They are:

1. Rural Manpower Programme (RMP) in 1960 -61
2. Rural Work Programme (RWP) 1970-71
3. Crash Scheme for Rural Employment (CRSE) in 1971-72
4. Pilot Intensive Rural Employment Programme (PIREP) in 1972
5. Small Farmers Development Agency programme (SFDA)
6. Food for Work Programme (FWP) in 1977
7. National Rural Employment Programme (NREP) in 1980
8. Rural Landless Employment Guarantee Programme (RLEGP) in 1983
9. Employment Assurance Scheme (EAS) in 1993

10. Jawahar Rojgar Yojana (JRY) in 1993-94
11. Jawahar Gram Samridhi Yojana (JGSY) in 1999-2000
12. Sampoorna Grameen Rojgar Yojana (SGRY) in 2001-02
13. Mahatma Gandhi National Rural Employment Guarantee Programme



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### **3.3.1 The Rural Manpower Programme (RMP):**

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The Rural Manpower Programme (RMP) was the first among the rural employment programmes and was started towards the end of 1960-61. The programme aimed at providing employment for 100 days to at least 2.5 million persons by the last year of the Third Plan, thereby to utilize the manpower resources of the country to the fullest extent possible. Initially, it was introduced in 32 Community Development Blocks on a pilot basis for utilizing rural labour force. Then, the programme was extended to a thousand Blocks by the end of 1964-65. It also helped to ensure a substantial expansion in employment opportunities in areas exposed to seasonal unemployment. The report of the Planning Commission for the 10<sup>th</sup> Five Year Plan reveals that the resource constraints limited the scope of the scheme and only 20 per cent of the originally envisaged outlay of Rs. 150 crore could be provided. The programme ended in 1968-69, generating 137 million man-days of employment.

On an evaluation of the reasons for the failure of the RMP, it was decided to revive it as the Rural Work Programme (RWP) so as to utilize the manpower resources of the country to the fullest extent and to ensure a substantial expansion in employment opportunities. The new scheme, started in 1970-'71, aimed at generating employment for 1 lakh people in terms of 100 days' work for each person during the 1<sup>st</sup> year of the programme and for about 2.5 million persons by the end of the Fourth Plan. Initially, a sum of Rs. 150 crore was provided for the five-year period. But, scarcity of resources was the major problem in this case also, and the programme was pruned considerably and only a sum of Rs.19 crore was made available during the whole Plan period.



The Programme Evaluation Organization of the Planning Commission opined that the programme did not achieve satisfactory results due to various reasons. Drastic curtail in the fund allotment created uncertainties about the continuation and extension of the programme. As a result, the State governments could not even plan and service the project systematically. Lack of conformity of areas and schemes with the criteria laid down, delay in release of funds, and lack of co-ordination between Central and State governments, weak organization, defective planning and incorrect estimate of the locally available material and technical personnel were reported to be the major causes for the failure of the programme.

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### **3.3.2 Crash Scheme for Rural Employment (CSRE):**

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The Crash Scheme for Rural Employment (CSRE) was introduced in 1971-72 with the twin objective of direct generation of employment in all districts of the country at the rate of 2.5 lakh man-days per annum in each district through the execution of labour-intensive projects and creation of durable assets like roads, means of irrigation, soil conservation, culverts, afforestation, land reclamation, development of Panchayat land etc., in consonance with local development plans. Though the entire cost of the scheme was met by the Government of India, the implementation was done through the State governments and Union Territories. The total outlay sanctioned for the scheme was Rs.142.74 crore in 3 years, of which Rs. 122.63 crore was released. In addition, the State governments and Union Territories spent Rs.2.75 crore, bringing the total expenditure to Rs.125.38 crore. Reports confirm that the scheme could create 3168.35 lakh man-days of employment.

It was alleged that almost all the States and Union Territories either underpaid the labourers or spent less amount on materials used in the construction of projects than the ratio prescribed by the Central Government. It had badly affected the interest of the labourers and quality of assets generated. Moreover, inadequate publicity for the scheme, chance of better wages elsewhere, contractual obligations and preoccupation with own holdings were also reasons for the non-popularity of the scheme.

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### **3.3.3 Pilot Intensive Rural Employment Programme (PIREP):**

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The implementation of RMP and CSRE led to the realization that more concerted efforts were needed at least in some selected areas to bring about a considerable impact of the employment schemes. Thus, along with CSRE, a Pilot Intensive Rural Employment Programme (PIREP) was started in November 1972 in 15 selected Community Development Blocks for a three-year period. The basic objectives of the PIREP were providing additional employment opportunities for unskilled labour and creation of assets, which could have a multiplier effect on new job opportunities on a continuing basis. In the first year of operation, Rs. 1.22 crore was spent, which resulted in the generation of 32.82 lakh man days of employment. A further allocation of Rs. 2.48 crore was made in 1973-74 and Rs. 6 crore for 1974-75. The project completed its full term of three years and generated 18.16 million man-days of employment.

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### **3.3.4 Small Farmers Development Agency Programme (SFDA):**

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The Small Farmers Development Agencies programme has been in operation since 1971 and has covered 1818 Blocks in the country (Planning Commission, 1981). The programme aimed at raising the income level of identified persons in the target group of small and marginal farmers and agricultural labourers, by helping them to adopt improved agricultural technology and acquiring means of increasing agricultural production like minor irrigation sources, and to diversify their farm economy through subsidiary activities like animal husbandry, dairying, horticulture etc. The main implementation agency for the programme was the Block Development Agencies.

The selected persons in the target group were enrolled as members of cooperative societies so that they could draw necessary assistance from them. As reported by the Planning Commission in the 6<sup>th</sup> Five Year Plan, up to March, 1980, the agencies had identified 16.7 million persons from the target group for assistance. Of these, 8 million beneficiaries (including 1.3 million belonging to the Scheduled Castes and Scheduled Tribes – 7.78%) were assisted under the programme.



Among the selected beneficiaries, 6.1 million ( 75%) were helped in acquiring access to improved agricultural practices through subsidized supply of inputs, improved implements and field demonstrations. The remaining 1.9 million beneficiaries were covered under the more substantive asset development programmes like acquisition of milk cattle, sheep, poultry, piggery etc. (0.9 million), minor irrigation (0.9 million), and other categories including forestry and village industries (0.1 million). Short-term credit advanced to the beneficiaries of this programme during 1979-80 was Rs. 27.76 crore through cooperatives and Rs. 6.03 crore through commercial banks. The cumulative medium-term and long-term loans advanced through cooperatives up to March, 1980 amounted to Rs. 112.82 crore and Rs. 140.20 crore respectively. The total outlay utilized under the scheme by way of subsidy to beneficiaries and other grants, and expenditure on execution amounted to Rs. 156.10 crore during the period 1974-'79.

The programme was not so successful due to its low coverage and the main reasons for this were the progressive erosion in the integrated functioning of the Block agency, inadequacies of the participating credit institutions, and lack of coordination and adequate support from the departments concerned. It can be seen that while the number of beneficiaries identified for assistance represented only a small segment of the target group, the numbers benefited were only about half the number identified. Further, the nature of assistance given to the bulk of them comprised items which did not lead to any specific additional asset creation. The actual impact of the use of these items of assistance on the income of the beneficiaries was of little significance. However, where the assistance was given for developing minor irrigation sources or for acquiring milch cattle, sheep, goats, poultry etc., the impact was significant. Finally, the programme was merged with IRDP in 1980.

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### **3.3.5 Food for Work Programme (FWP):**

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Wages have no meaning if they cannot buy the daily needs of food grains. The problem can be solved to some extent if wages are paid partly in food grains. So the government of India decided to use the buffer stock of food grains as payment



for the whole or part of the labour rendered in the execution of specified projects. The programme aimed to generate additional employment for both men and women in rural areas and to create durable community assets which would strengthen the social infrastructure in order to increase production and raise the standard of living of the rural people.

### **Objectives of the FWP:**

- (i) To generate additional employment opportunities to large numbers of unemployed and under-employed persons in the rural areas which would increase their income and consequently their nutritional levels;
  - (ii) To create durable community assets and strengthen the rural infrastructure which would result in high production and better living standards in rural areas; and
  - (iii) To utilize the surplus food grains for development of human resources.
- The programme gained momentum in 1978-79, when over 12 lakh tons of food grains were utilized creating 372.8 million man-days of employment (Planning Commission, 2001).

Considering the difficulties experienced by the States in the implementation of the programme, the scheme was liberalized to include all ongoing plan and non-plan works and new items of public and community works. Later, the programme became very popular in the rural areas and was recognized as a major instrument of rural employment generation. A total employment of 979.32 million man-days was generated during the period 1977-78 to 1979-80.

The programme was helpful in creating additional employment in the rural areas even during lean employment periods and also helped to check the rise in prices of food grains. However, a number of deficiencies were noticed in the planning, supervision and implementation of the programme. The report of the Working Group on rural poverty alleviation programmes pointed out three major counts on which the programme suffered a setback. First, the programme continued on a year-to-year basis. The State Governments, in the context of uncertainty, were not able to provide the needed technical and administrative support for effective planning and to monitor the programme.



No serious attempts were made by the State Governments to develop useful projects which could suit the local needs of each Block where the programme was being implemented and also the national priorities. As a result, works of low priority with dubious utility were taken up at several places. Finally, due to lack of finance and administrative and technical backup, many works taken up were non-durable in nature and were often executed through contractors. Hence, it was decided to revamp and restructure the programme and, accordingly, it was renamed as National Rural Employment Programme in October 1980.

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### **3.3.6 National Rural Employment Programme (NREP):**

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The NREP was meant to help the rural population which mainly depended on wage employment by the generation of additional gainful employment during lean agricultural periods. The scheme also aimed at the creation of durable community assets and the raising of nutritional standards of the rural poor. The programme was implemented from April 1981 as a centrally sponsored scheme. But its financial burden was shared between the Centre and the States on proportion of 50:50.

The Centre would provide its share in the form of food grains to the extent surplus food grains were available and the rest in cash. The States were also encouraged to procure locally grown food grains and utilize them under the scheme. Suitable financial and operational arrangements were to be worked out in each State in this direction. It was also decided that the wage paid under the programme should be on a par with the minimum agricultural wage prescribed for the area. The wages were to be paid both in cash and in the form of food grains, but the food grains component should not exceed 2 kg. per head per day.

Thus, the programme envisaged a total outlay of Rs. 2473.11 crore during the 6<sup>th</sup> Plan period to generate additional employment opportunities to the extent of 300 to 400 million man-days per year. The actual expenditure on implementation was Rs.1842.78 crore and the total employment generation during the period was 1774.37 million man-days (Planning Commission, 1985). However, during the

first four years of the 7<sup>th</sup> Plan, 1477.53 million man-days were created and the actual expenditure on the programme was Rs. 2939.87 crore (Planning Commission, 1992). On 1st April 1989, the scheme was merged into the Jawahar Rozgar Yojana.



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### **3.3.7 Rural Landless Employment Guarantee Programme (RLEGP):**

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The programme was introduced from 15<sup>th</sup> August 1983, with the objective of expanding employment opportunities for the rural landless. The programme aimed at providing guarantee of employment to at least one member of every landless household, up to 100 days in a year. Under this scheme, durable assets were created for strengthening the rural infrastructure so as to create employment opportunities for the rural landless. The scheme was totally financed by the Central Government and the implementation was entrusted to the States/Union Territories. Funds amounting to Rs. 500 crore were allocated to them in the last two years of the Sixth Plan. Though it was originally expected to generate 360 million man-days of employment during 1983-85, the actual figure was only 260.18 million man-days (Planning Commission, 1985). Altogether, a sum of Rs 2640.27 crore was made available under the programme during the Seventh Plan. But the actual expenditure was Rs 2411.98 crore and 1154.39 million man-days were generated during the period.

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### **3.3.8 Employment Assurance Scheme (EAS):**

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The Employment Assurance Scheme, launched on 2nd October 1993, was implemented in 1778 identified backward Blocks situated in drought prone, desert, tribal and hilly areas. The scheme was then universalised to cover all the rural Blocks in the country with effect from 1.4.1997. The main objective of the EAS was to provide about 100 days of assured casual manual employment during the lean agricultural season, at statutory minimum wages to 2 members in a rural family in the age group of 18 to 60 years, who needed and sought employment, on economically productive and labour-intensive social and community works. The



EAS was a demand-driven scheme with the Centre providing 75 per cent of the funds and the States bearing 25 per cent. Initial national allocations were made to districts at the commencement of each year and thereafter depending on the demand for supplementary employment and the actual utilization of funds, the districts demanded additional funds.

The Central share was directly released to the District Regulatory Development Agency of the concerned district, and the States' matching share was required to be released within a fortnight of the receipt of Centre's share. Since the inception of EAS in 1993-94, a total amount of Rs. 6514.65 crore (Centre and State) was released under the programme up to 1996-97, against which the total utilization was Rs.5278.16 crore. From 1999, resources were allocated to the States based on the incidence of poverty. In 1999-2000, a massive allocation of Rs. 2,040 crore was provided for EAS and it declined to Rs. 1300 crore in the year 2000-2001. The Planning Commission for the 10<sup>th</sup> Five Year Plan had reported that 10,729.59 lakh man-days of employment were generated during the Eighth Plan under the scheme and that it increased to 14633.46 lakh man-days during the Ninth Plan (Planning Commission, 2002). The programme was merged into the SGRY.

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### **3.3.9 Jawahar Rozgar Yojana (JRY):**

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By merging the two erstwhile wage employment programmes, National Rural Employment programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP), the Jawahar Rozgar Yojana (JRY) was started with effect from 1<sup>st</sup> April 1989, on 80:20 cost-sharing basis between the Centre and the State. The main objective was the creation of sustained employment by strengthening rural economic infrastructure and assets in favour of rural poor for their continuing benefits. Priority was given to enhancement of productivity of land. Though the people below the poverty line were the target group for employment, preference (22.5 per cent of annual allocation) was given to the schemes for the benefit of the Scheduled Castes, Scheduled Tribes and freed bonded labourers. Thirty percent of the employment opportunities were to be reserved for women in rural areas. An important feature of the scheme was that Gram Panchayats were to be involved in the planning and implementation of the programme.



Initially, the JRY also included the Indira Awas Yojana (IAY) and the Million Well Scheme (MWS). Both these schemes were made into independent schemes in 1996. While evaluating the poverty alleviating programmes in rural India the Planning Commission for the 10<sup>th</sup> Five Year Plan reported that Rs. 18691 crore was allocated under JRY during the Eighth Plan. However the share went down to Rs 11688 crore during the Ninth Plan. Under JRY, 73764.83 lakh man-days of employment were generated till 1998-99. Employment generation progressively declined over the years, partly due to lower Central allocations in the Ninth Plan and partly due to the increasing cost of creating employment. Over 47 per cent of the employment generated benefited SC/STs. The share of landless labourers among the beneficiaries was 36 per cent. However, against 40 per cent of the rural population who sought work, only 15 per cent were actually employed. Puri and Misra (2008) reported that JRY was superior to NREP and RLEGP in two respects. First, under JRY, priority was given to economically productive investments, especially to those activities which enhanced productivity of land. Second, the involvement of Panchayats in planning and implementation of employment schemes was appreciable. With effect from April, 1999, JRY had been restructured and had been renamed as Jawahar Gram Samridhi Yojana (JGSY).

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### **3.3.10 Jawahar Gram Samriddhi Yojana (JGSY):**

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The scheme was launched on 1st April 1999 and was designed to improve the quality of life of the rural poor by providing them additional employment. The primary objective of JGSY was the creation of infrastructure and durable assets at the village level so as to enable the rural poor to increase the opportunity for sustained employment. The secondary objective was the generation of supplementary employment for the unemployed poor in the rural areas. The village panchayats were the sole authority for preparation of Annual Action Plan and its implementation, with the approval of Gram Sabhas. For works/schemes costing more than Rs. 50,000, after taking the approval of the Gram Sabhas, the village panchayat should seek the technical/administrative approval of appropriate authorities. District Rural Development Agencies (DRDAs) / Zilla Parishads



(ZPs) were responsible for overall guidance, coordination, supervision, monitoring and periodical reporting. The programme was implemented as a centrally sponsored scheme on cost-sharing basis between the Centre and the States in the ratio of 75:25. DRDAs/ Zila Parishads would release the funds including State share directly to village panchayats. In the case of Union Territories, the entire funds under the scheme were provided by the Centre.

The Panchayats were given the option to invest 15 per cent of the fund allocated on maintenance of assets created under the programme. It was compulsory that 22.5 per cent of the annual allocation must be spent on beneficiary schemes for scheduled castes/scheduled tribes and 3 per cent for the creation of barrier-free infrastructure for the disabled. The wages under the programme were either the minimum wages notified by the States or the higher wages as fixed by the States through the prescribed procedure. As a result of decline in allocation coupled with the increased cost of providing employment, only 6227.04 man-days of employment could be generated under JGSY (Planning Commission, 2002). The scheme was merged into Sampoorna Grameen Rojgar Yojana (SGRY) from September 2001.

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### **3.3.11 Sampoorna Grameen Rojgar Yojana (SGRY):**

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To provide a greater thrust to additional wage employment, infrastructural development, food security and improving nutritional levels in the rural areas, the Govt. of India announced a new scheme with effect from 25th September 2001, by merging the employment assurance scheme and the Jawahar Gram Samridhi Yojana. The initial outlay for the programme was Rs.10,000 crore. Under the scheme, 50 lakh tonnes of food grains costing Rs. 5,000 crore (at economic cost) was being provided every year, free of cost, to the State Governments and Union Territories. Rs. 5,000 crore had been kept to meet the cash component of wages and material cost. About 100 crore man-days of employment were envisaged to be generated every year in the rural areas through the SGRY. Every worker seeking employment under the SGRY was provided a minimum of 5 kg. of food grains per man-day as part of wages. The balance of wages was paid in cash so that they were assured of the notified minimum wages. The programme was implemented



as a centrally sponsored scheme on cost-sharing basis between the Centre and the States in the ratio of 75:25. In the case of Union Territories, the Centre provided 100 per cent of the funds under the scheme. Food grains were provided to the States/UTs free of cost. The SGRY was open to all rural poor who were in need of wage employment and desired to do manual and unskilled work in and around his village. While providing wage employment, preference was given to agricultural wage earners, non-agricultural unskilled wage earners, marginal farmers, women, and members of Schedule Castes/Schedule Tribes and parents of child labour withdrawn from hazardous occupations, parents of handicapped children or adult children of handicapped parents who were desirous of working for wage employment. The Programme was implemented through the Panchayati Raj Institutions. Out of the annual allocation, 22.5 per cent (inclusive of food grains) was compulsorily earmarked for individual beneficiary schemes of SC/ST families living below the Poverty Line. It was also prescribed that a minimum 50 per cent of the allocation (inclusive of food grains) to the Village Panchayat should be earmarked for the creation of need-based village infrastructure in SC/ST wards and 30 per cent of employment opportunities should be reserved for women. The works taken up were mainly labour-intensive, leading to the creation of additional wage employment. Reviewing the implementation of SGRY, the Planning Commission had revealed that during 2002-05 the total expenditure incurred was Rs. 1122.32 crore and total employment generation reported was 9.74 crore man-days, while food grains distributed was only 2.89 lakh MT (Planning Commission, 2008). In April 2008, the scheme was merged into Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGA). All of the above-mentioned schemes were aiming to provide self-or-wage employment to the rural community, but none of these schemes had given any legal right to work to the people of rural India. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) passed by the Union Government in September 2005 provides for the enhancement of livelihood security of the households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in every financial year to every household whose adult members volunteered to do unskilled manual work.

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### **3.3.12 Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA):**

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The “Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)” was enacted to reinforce the commitment towards livelihood security in rural areas. The Parliament passed the MGNREGA in the monsoon season on August 23, 2005. The Act received the assent of President on September 5, 2005 and was notified on September 7, 2005. It was implemented in 200 India’s most backward districts on February 2, 2006 in its first phase. And its coverage has been extended to 130 more districts of India since April 1, 2007 in its second phase. The Act was implemented in all districts of India from April 1, 2008. The Act provides a legal guarantee of 100 days work in a financial year (1st April-31st March) to every rural household whose adult members are willing to do unskilled manual work at a statutory minimum wage rate.

#### **Need For MGNREGA:**

India’s labour force is growing at a rate of 2.5 percent annually but employment, in both, organized and unorganized sectors is growing at only 2.3 percent annually. And this employment rate is miserably low. Thus the country is facing the challenge of not only absorbing new entrants (estimated 7 million people every year) to the job market but also clearing the backlog. It was revealed that the number of unemployed persons registered with employment exchanges in India was 36.7 million in 1994 which rose to 40.8 million in 1999 and to 42.0 million in 2001. An average yearly job-seekers registration is 55 lakh to 60 lakh per year and more than 70 percent of Indian population live in rural areas spread over 589626 villages and the people of rural areas are very poor and depend on agriculture for their livelihood (Dev and Ravi, 2007;509). The share of employment in agriculture declined from 61% in 1993-94 to 52.1% in 2004-05 and rural India is become more poor and unemployed. In this reference the scheme like MGNREGA is very beneficial for the people in dispersed areas which provide gainful employment in lean agriculture season. It was also identified why Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is very essential for rural areas, because more than 70% Indian population lives in



rural areas and the unemployment rate is also higher in rural areas (because of the dependence on agriculture and its declining growth rate). As rural areas retain the largest proportion of population as well as labour force. In 2004-05, 348 million workers lived in rural areas and the majority of them (56.5% of the total workers) earned their livelihood from agriculture. But in agriculture sector, the employment is only for a short period of time and rest the time they are unemployed. The first survey on employment and unemployment (GoI, 2010) estimated unemployment in the economy as a whole at 9.4 percent in 2009-10 with 7.3 percent in urban areas and a staggering 10.1 percent in rural areas. During the Eleventh Five Year Plan (2007-12) the rate of unemployment has increased from 6.1% in 1993-94 to 7.3 percent in 1999-2000 and further 8.3 percent in 2004-05. Unemployment among agricultural labour households has risen sharply from 9.5 percent in 1993-94 to 15.3 percent in 2004-05. (Eleventh Five Year Plan, Vol.3) So keeping in mind the problems of rural areas the Government of India decided to launch the "Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)" which provides a legal guarantee of 100 days work in a financial year to every rural household whose adult members are willing to do unskilled manual work at a minimum wage rate.

### **Features of MGNREGA:**

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is a holistic measure aimed at fulfilling one of the most important human rights that is Right to Employment, at least to one member of the family. Some of the encouraging features of MGNREGA are as follow:

- i) **Guaranteed employment for one hundred days:** The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is a big opportunity for rural areas of India. This act has a provision of guaranteed employment for one hundred days in every financial year to rural households with unemployed adult members prepared to do unskilled manual work at a statutory minimum wage rate. As per the provision of this act, a person who needs employment is to get his/her family registered with Gram Panchayat.



- ii) The benefits are reflected in greater economic security, higher farm wages, lower migration and building of infrastructure (Jha and Others, 2008)
- iii) The scheme has been universalized for all persons living in rural areas whether they are „Below Poverty Line (BPL) or Above Poverty Line (APL).
- iv) A minimum of 33% reservation to be made for women, where the numbers of applicants are too large.
- v) As far as practicable, a task funded under MGNREGA shall be performed by using manual labour and not machines.
- vi) Every scheme will have adequate provisions for ensuring transparency and accountability at all levels.
- vii) The Act says that at least 50 percent of the works in terms of costs will be allotted to the gram panchayats for execution. The act defines panchayats as the prime authorities in management of the MGNREGA. Panchayats are to finalize, approve, implement and monitor the projects. The scheme will not permit engaging any contractor for implementation of the projects.
- viii) If injury is caused to any person employed under MGNREGA, he/she will be entitled to free of charge medical treatment.
- ix) If a person employed under the scheme, dies or become permanently disabled by an accident arising out or in the course of employment he/she will be paid by the implementing agency as ex-gratia payment at the rate of twenty- five thousand rupees.
- x) Job Card: Job Card is a legal document of right to work. In a job card the information about the applicants, like his/her name, age, sex, name of the head of the family, number of adult members of the family willing to work etc. is given. This job card is valid for a period of 5 years. And the main purpose of this job card is to enable MGNREGA workers to verify their own employment and wage details. After registration and getting job card a person has to apply for work for a definite



period of his own choice. Applications can also be given orally to the gram panchayat.

- xi) **Muster Roll:** Muster Roll is a list of the names of the workers working under MGNREGA. So at every worksite there is a muster roll containing the names of workers. This is a kind of attendance register. Muster Roll is also a unique feature of MGNREGA.
- xii) **Worksite Facilities:** The facilities of safe drinking water, rest shed, crèche for children below 6 years of female workers and first-aid box with adequate material for emergency treatment for minor injuries and other health hazards connected with the work being performed will be provided at the worksites.
- xiii) **Work Location:** There is also a provision that employment has to be given within a circle of 5 km radius and if it is beyond 5 km, there is also a provision for payment of additional transportation and living expenses at 10 percent of extra wages.
- xiv) **Wage Rates:** Under MGNREGA Wages will be paid at the rate of agricultural minimum wages as notified by the state government from time to time. Section 6(1) of MGNREGA states that notwithstanding anything contained in the Minimum Wages Act 1948, the central Government may by notification specify the wage rate for the purposes of the Act. In fixing the wage rates two basic principles have to be kept in mind: First, since the objective is to ensure a minimum income from work so as to guaranteed livelihood, wages should be high enough to meet the daily subsistence needs of the worker households. Second, in order that only the really needy, avail of the guaranteed work and no diversion of labour takes place from other regular productive works, wages should be significantly higher than the prevailing market wages. In principle, the minimum wages fixed under the Minimum Wage Act, 1948 should fulfil these requirements and should therefore be the wages to be paid under the Employment Guarantee Programme and there can be no compromise with the payment of statutory



minimum wages as per the Minimum Wage Act, 1948. The present wages for the MGNREGA workers from 1<sup>st</sup> April 2014 is Rs. 236 per man days and it revises in every 6 months and this remuneration is equal for both, men & women.

- xv) **Wage Payments:** Payment of wages to the workers is to be given every week or within 14 days in any circumstances. If a worker does not receive his/her wages on time, he/she is liable to get compensation under the Wage Payment Act, 1972.
- xvi) **Mode of Wage Payments:** Under MGNREGA the payments of wages through banks or post offices are benefited the MGNREGA workers. Many observers have advocated that the payment of wages through bank/ post office is the right step under MGNREGA to prevent the corruption. The main advantage of this approach is that it reduces the likelihood of any fudging of the muster rolls on the part of the implementing agency (i.e., gram panchayats). Since the actual wage payments were beyond their reach it is a safeguard against the embezzlement of MGNREGA wages. The fundamental attraction of the use of bank or post office accounts for MGNREGA wage payments is twofold; First: It separates the payment agency from the implementing agency to avoid any sort of corruption. Second: It ensures that money sanctioned for wage payments can be listed only by the labourers listed on the muster rolls. Bank payments also have a transparency role. They extend the trail of transparency all the way down to the money actually reaching the hand of the labourers. In addition it can be argued that the bank/ post office payments of MGNREGA wages encourage savings and help to initiate people to modern banking arrangements.
- xvii) **Social Audit:** Social Audit is a dynamic tool by which people are able to make officials accountability for their performance in the delivery of legally enshrined rights. Social Audit is a participatory process in which both the local people and government officials verify the outcomes under MGNREGA.



So that they help at every stage to built up the transparency and responsibility under MGNREGA. Social Audit is a process for evaluating, reporting and improving the performance and behaviour of local people and government officials. So this is also a unique feature of MGNREGA.

- xviii) **Unemployment Allowance:** Unemployment Allowance is the most attractive as well as encouraging feature of MGNREGA. Under MGNREGA if an applicant is not provided employment within 15 days of receipt of his/her application, there is a provision of daily unemployment allowance. This unemployment allowance is one-fourth of the prescribed wages for first 30 days and after that it is half of the prescribed wages. And this Unemployment Allowance will be paid by the concerned state government and officials responsible for implementing the scheme are accountable for it. But a person will not get any unemployment allowance in certain conditions, those are as follow: (a) If a person has completed 100 days employment in a financial year. (b) If he/she refuses to do work. (c) If he/she takes a continuous leave for 7 or more than 7 days from work without any prior information will not get any unemployment allowance for a period of three months. But he/she will be eligible to seek employment under the scheme at any time.
- xix) **Reduction in Migration:** The lack of work was the main reason for migration in most districts and states. The MGNREGA is expected to reduce migration through three main effects: (a) Employment security during lean seasons. (b) Earnings and savings effects and (c) Social (happiness) effects. As regards the first, the trend in migration suggests the dominance of seasonal migration and mostly in search of daily wage employment. The MGNREGA assures a minimum of 100 days employment that takes care of at least the lean season. Regarding the second effect, the gap between earnings and surplus is generally higher if a worker gets employment near



his/ her residence than if he/ she migrate to urban centers or other places

- xx) Insurance: In case of any accident, there is a provision for insurance for workers under MGNREGA.
- xxi) National Helpline set up for receipt of complaints. The Ministry of Rural Development (MoRD) has set up a toll free National Helpline (1800110707) to enable the submission of complaints and queries for the protection works entitlements and rights under the Act.
- xxii) Employment guarantee day (Rozgar Diwas): Every Gram Panchayat should organise a Rozgar Diwas at least once every month. At this event the Gram Panchayat should pro-actively invite applications for work from potential workers for the current as well as subsequent quarters. Dated receipts will be issued to the applicants at this event. The „Employment Guarantee Day“ should be earmarked for processing work applications and related activities such as disclosure of information, allocation of work, payment of wages and payment of unemployment allowances. However, these activities should not be restricted to „Employment Guarantee Day“. In particular, applications for work should be accepted at any time. The President of the Gram Panchayat and all staff appointed at the level of the GP (Gram Rozgar Sevak) to assist MGNREGS should be present on Employment Guarantee Day. So this is all about the features of MGNREGA, which support the implementation of MGNREGA and provide labourers some of the most important rights, one is the right to work.

### **Works to be performed under MGNREGA:**

The MGNREGA document has envisaged that the focus of the scheme will be on the following work in order of priority:

1. Water conservation and water harvesting.
2. Drought proofing (including afforestation and tree plantation).
3. Irrigation canals including micro and minor irrigation works.

4. Provision of irrigation facility to land owned by households belonging to the scheduled castes and scheduled tribes.
5. Renovation of traditional water bodies including desalting of tanks.
6. Land development & soil conservation works.
7. Flood control and protection work including drainage in water logged areas.
8. Rural connectivity to provide all-weather access. The construction of roads may include culverts where necessary and within the village area may be taken up along with drains.
9. The state government may notify any other work in consultation with the central government.



### **Check Your Progress III**

Note: a) Use the space provided for your answers.

b) Check your answers with the possible answers provided at the end of this unit.

5) What is the need of income generating programmes in India?

6) Select any five income generating programmes in India and explain them in detail.

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### 3.4 Let Us Sum Up:

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- Rural life in India is characterised by poverty, unemployment, as well as poor and inadequate infrastructure, and these will have a cascading effect on urban centres by causing slums and economic and social tension.
- Hence, the development of rural areas received more attention by way of the various schemes designed for the development of Indian economy. The unemployment scenario in the country over the years is quite a substantial evidence of rural backwardness and all sorts of developmental needs. The rise in unemployment has been a silent phenomenon in India.
- “Growth with Social Justice” has been the basic objective of the development planning in India since independence (Planning Commission, 2001). The prevalence of unemployment and poverty was viewed as the most serious concern for development.
- But the Government did not frame any specific long-term policy for solving the unemployment problem because, for quite some time, it was thought that economic growth would result in increased employment opportunities and that accelerated rate of economic growth would be able to meet substantially the employment requirements of the growing labour force.
- This, however, did not happen, as the number of unemployed increased from 22 million in 1969 to 42 million in 2004. The Government, therefore, laid increased emphasis on taking up schemes for providing additional employment opportunities and various special schemes of employment generation – both self-employment and wage-employment programmes.
- There is no doubt that these income and employment generation programmes implemented by both the Government and NGOs during the last three decades have had some impact on the level of poverty in the country.
- The Government claims that the proportion of the population below the poverty line has gone down by more than 20 percentage points, in other words, from a little more than 50 per cent in the 1960s to a little less than 30 per cent in the 1990s.

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### 3.5 Keywords:

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***Income-Generating Programmes*** are those types of vocational continuing education programmes which help participants acquire or upgrade vocational skills and which enable them to conduct income generating activities. A case is made that such programmes should be directed mainly towards those people who are currently not self-sufficient in a modern world, and in particular towards those at or below the poverty line.

A ***wage*** is monetary compensation (or remuneration, personnel expenses, labor) paid by an employer to an employee in exchange for work done. Payment may be calculated as a fixed amount for each task completed (a task wage or piece rate), or at an hourly or daily rate, or based on an easily measured quantity of work done. Wages are an examples of expenses that are involved in running a business.

***Employment*** is a relationship between two parties, usually based on a contract where work is paid for, where one party, which may be a corporation, for profit, not-for-profit organization, co-operative or other entity is the employer and the other is the employee. Employees work in return for payment, which may be in the form of an hourly wage, by piecework or an annual salary, depending on the type of work an employee does and/or which sector she or he is working in. Employees in some fields or sectors may receive gratuities, bonus payment or stock options. In some types of employment, employees may receive benefits in addition to payment. Benefits can include health insurance, housing, disability insurance or use of a gym. Employment is typically governed by employment laws or regulations and/or legal contracts

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### 3.6 References:

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### 3.7 Check Your Progress – Possible Answers:

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#### Check your progress I:

- 1) Explain in detail the definition and challenges of agriculture as mentioned in the initial sections of the unit.
- 2) All the definitions of the short notes are available in the text. Be brief but mention the key points.

#### Check your progress II:

- 3) Explain food security and provide the solutions as mentioned from 2.5.1 to 2.5.8
- 4) The last section of the unit explains rural market in detail.

#### Check your progress III:

- 5) Explain by saying how poverty prevails in rural India due to lack of viable livelihood opportunities. Expand your answer.
- 6) Choose any five and discuss their features and outcomes.