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## RURAL DEVELOPMENT: A ROAD TO ECONOMIC GROWTH

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**Abstract:** India is primarily an agriculture based country where a large proportion of population is living in rural areas. The term rural development is a comprehensive and multidimensional concept which implies overall development of rural areas to improve the quality of life of rural people and covers the development of agriculture and allied activities in rural areas. It is a well-known fact that rural development is vital and one of the most important factors for the growth of country's economy. The purpose of this paper was to depict the role of rural development in economic growth. This study used qualitative methodology. Conclusion extracted from the study supported a positive link between rural development and economic growth.

**Keywords:** rural development, poverty, economic growth, rural development programs.

### INTRODUCTION

Development brings both quantitative and qualitative changes. Rural development is no different in this regard, it connotes for both quantitative economic growth and qualitative changes in the society. It is intended to enhance the socio-economic living conditions of the rural people while sustaining their culture and rich tradition. The outcome of these efforts, is reflected in the enhanced economic growth of the country. In developing countries like India, by improving the quality of rural life i.e., poverty mitigation, transport, telecommunication, education and healthcare facilities etc. sustained economic growth can be attained. The magnitude of rural development depends on the degree to which the rural population participate in the growth process. The ability of rural people to participate in the economic growth can be increased by improving the human, physical and social capital of rural areas. The Government seeks to achieve higher targets pertinent to production in rural areas, employment and higher living standards of rural population which will pave the way for all round economic development of the country.

### RURAL POOR

Rural development is related with rural poor. The group of rural poor are not homogeneous. The rural poor depend largely on:

- ❖ Agriculture,
- ❖ Fishing
- ❖ Dairy and poultry farming

- ❖ Forestry, and
- ❖ Small-scale industries and services etc.

**Classification of rural poor on the basis of access of agricultural land**

| Cultivators   | Non-cultivators  | Rural Women   |
|---|--|---|
| <ul style="list-style-type: none"> <li>• They form the majority of the rural poor.</li> <li>• They have access to land as small landowners and tenants.</li> <li>• They are directly engaged in producing and managing crops and livestock.</li> <li>• They provide labor for both farm and non-farm activities.</li> <li>• Some of them used to migrate to towns or cities on either a rotational or a long-term basis.</li> </ul> | <ul style="list-style-type: none"> <li>• Poorest among the rural poor. Unlike poor in urban areas, they are generally devoid of public sector safety nets.</li> <li>• They are landless, unskilled workers.</li> <li>• They depend on seasonal demand for labor in agriculture and in rural informal, small-scale industries and services.</li> <li>• They are affected by fluctuations in the labor demand, wage rates, and food prices.</li> </ul> | <ul style="list-style-type: none"> <li>• They tend to suffer far more than rural men.</li> <li>• Poor and low social status.</li> <li>• Focusing on their needs and empowerment is one of the keys to development.</li> </ul> |

**LITERATURE REVIEW**

Real development means construction of schools, drainage, hospitals, roads, parks etc. in the rural areas. Therefore, rural development is multi-dimensional in its strategies and goals. All these things contribute to the wellbeing and welfare of the rural populace which require expenditure to meet the goals depending on the status of rural development of that economy. Growth refers to economic growth. Although, economic growth can be measured in various ways. It can be in the form of rising real GDP, real GNP or GDP per capita. Rising income measurements indicate development. In the normal development of the economy, structural changes resulting from the shift of traditional agrarian economy to industry and service sector tend to decrease the GDP share of Agricultural and Allied Sectors of the country. Therefore, during the process of economic development non-agricultural sectors contribution tends to grow faster than the agricultural sector.

With the fall in agricultural and allied sector contribution to national income, the avenues of income for rural people also decreases and that leads to the problem of poverty. Thus, there is a need to have watch over the productivity of agriculture and allied sector.

Two decades earlier Asian Development Bank (ADB) report stated that unlike other region, developing Asia has shown a tighter relationship between growth and poverty reduction. With each percent growth in the 1990s was associated with an almost 2% decline in poverty incidence on average. This relationship is still true in current scenario.

Fan et al, 2000 stated that growth is the only sure way of providing a permanent solution to the poverty problem and increasing the overall welfare of rural people. BRICS (Brazil, Russia, India, China and South Africa) countries experience indicates that a 1% growth in agriculture is at least 2 to 3 times more effective in reducing poverty than the same growth resulting from non-agriculture sectors.

Bolt, 2004 explained the concept of inclusive growth, which has gained wide importance in

several countries including India. Inclusive growth which the participation rural people in the process of growth. Hence, the relationship between rural development and economic growth is positive and as most of the Indian population live in rural area, its prominence cannot be underestimated.

**OBJECTIVES**

- 1.To depict the relationship between rural development and economic growth.
- 2.To find out the role of rural development in the progress of Indian Economy.

**METHODOLOGY**

This study is based on qualitative literature review method. Secondary data used in this study are collected from various annual reports like Planning Commission, Ministry of Rural Development, World Bank and IMF, journals, articles and websites.

**RURAL DEVELOPMENT IN INDIA: NEED OF THE HOUR**

2011 census showed that rural poverty is two times higher than urban poverty in India. Migration in the past decade from rural into urban areas is seen with the incursion of poor people in urban areas for seeking better economic opportunities that resulted in the rise of urban poverty. During high growth periods in economy there is usually a fall in the percentage of poor. The poverty line in rural areas estimated by the Rangarajan Committee are 19% higher than the poverty line based on the methodology of the Tendulkar Committee. Rangarajan Committee uses the Modified Mixed Recall Period (MMRP) consumption expenditure data of the National Sample Survey Office (NSSO) as these are considered to be more precise compared to the Mixed Reference Period (MRP), which was used Tendulkar Committee and the Uniform Reference Period (URP), which was used by earlier committees. 67% of the increase in the rural poverty line and 28% of the increase in the urban poverty line is because of the shift from MRP to MMRP. However, this increase in the poverty line will not alter the fact of a decline because the absolute levels of poverty is higher but the rate of decline is similar.

**Poverty Estimates in 2009-10 and 2011-12**

| Year                        | Poverty Ratio (%) |       |       | Number of Poor (million) |       |       |
|-----------------------------|-------------------|-------|-------|--------------------------|-------|-------|
|                             | Rural             | Urban | Total | Rural                    | Urban | Total |
| <b>Rangarajan Committee</b> |                   |       |       |                          |       |       |
| 2009-10                     | 39.6              | 35.1  | 33.2  | 325.9                    | 128.7 | 454.6 |
| 2011-12                     | 30.9              | 26.4  | 29.5  | 260.5                    | 102.5 | 363.0 |
| Reduction (% age points)    |                   |       |       |                          |       |       |
| <b>Tendulkar Committee</b>  |                   |       |       |                          |       |       |
| 2009-10                     | 33.8              | 20.9  | 29.8  | 278.2                    | 76.5  | 354.7 |
| 2011-12                     | 25.7              | 13.7  | 21.9  | 216.7                    | 53.1  | 269.8 |
| Reduction (% age points)    | 8.1               | 7.2   | 7.9   | 61.5                     | 23.4  | 84.9  |

Source: Planning Commission Report, June 2014

The Gini coefficient developed by the Italian statistician Corrado Gini, is a measure of statistical dispersion which found that income inequality in India increased from 30.8 (early 1990s) to 33.9 late (2000s). The agriculture sector in India has undergone significant structural changes in the form of decrease in share of GDP indicating a shift from the traditional agrarian economy towards a service sector. This fall in agriculture’s contribution to GDP has not been accompanied by a matching reduction in the share of agriculture in employment. More than half of the Indian population is dependent on agriculture for sustenance as nearly 52% of the total workforce is still employed by the farm sector (NSS 66th Round). It is well known that agriculture forms the resource

base for a number of agro-based industries and agro-services, therefore it should be viewed as a holistic value chain i.e. farming, wholesaling, warehousing including logistics, processing, and retailing rather than only as farming.

**Growth Rates: GDP (Overall) and GDP (Agriculture & Allied Sectors)**

| Five Year Plan  | GDP (Overall) | GDP (Agriculture & Allied Sectors) |
|---|---------------|------------------------------------|
| 8 <sup>th</sup> Plan (1992-97)  | 6.5           | 4.8                                |
| 9 <sup>th</sup> Plan (1997-2002)  | 5.7           | 2.5                                |
| 10 <sup>th</sup> Plan (2002-07)   | 7.6           | 2.4                                |
| 11 <sup>th</sup> Plan (2007-2012)*  | 8.2           | 3.5                                |
| *Figures for the 11 <sup>th</sup> Plan show growth rates for the first four years of the plan |               |                                    |
| <b>Source:</b> Central Statistical Organization (CSO)   |               |                                    |

Five Year Plans clearly mentioned that to achieve the economic growth of 9 % but it required that agriculture should grow at least by 4 % per annum. Therefore it becomes essential that India adjust its economic policies and adopts a strategy to achieve inclusive growth.

**India's GDP per capita and Real GDP**

| Year                               | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------------|------|------|------|------|------|
| GDP per capita                     | 7.1  | 8.8  | 5.3  | 3.4  | 3.7  |
| Real GDP (annual percent change)   | 8.5  | 10.3 | 6.6  | 4.7  | 5.0  |
| <b>Source:</b> Planning Commission |      |      |      |      |      |

Fan, Shenggen, et al. 2000 showed that, the Indian government should give highest priority to additional investments in rural roads and agricultural research in order to reduce rural poverty which not only have much larger poverty impacts per rupee spent as compared to other investment of government, but also generate higher productivity growth. The World Bank has also suggested that promoting agricultural and rural development is crucial to pro- poor growth in most developing countries. No doubt rural poverty is declining but rural unemployment and other rural development issues are still a matter of concern.

**EFFORTS MADE FOR RURAL DEVELOPMENT IN INDIA**

Government of India, as a promoter and facilitator had undertaken and is undertaking various initiatives for rural development. Rural poor's links to the economy vary considerably therefore, public policy through well-designed public works programs and other transfer mechanisms should focus on issues such as:

1. Access to Land
2. Access to Credit
3. Education
4. Employment
5. Housing
6. Entitlements to Food
7. Health care
8. Potable water and Sanitation
9. Electricity
10. Drainage
11. Support Services
12. Transport and Communications

### FOCUS OF 12TH FIVE YEAR PLAN

In the 12th Five year plan (2012-17), the planning commission has focused on introducing “inclusive growth”. The tentative Gross Budgetary Support (GBS) provided to the Ministry of Rural Development for its major programs is INR44,3261 crore, which was INR 29,1682 crores in 11th Five year Plan. With these spending, government plan is to make progress in encouraging the development of agriculture, health, education, housing, roads and social welfare.

### Various Programs under Ministry of Rural Development

Department of Rural development is implementing a number of programs in rural areas. Following are the some of its major programs for:

1. Poverty Reduction
2. Employment Generation  
E.g. Swarnjayanti Gram Swarozgar Yojana (SGSY), National Rural Livelihoods Mission (NRLM), Aajeevika - National Rural Livelihoods Mission (NRLM) etc.
3. Rural Infrastructure Habitant Development  
E.g. Indira Awaas Yojana (IAY), Credit cum Subsidy Scheme for Rural Housing (CSRH), Innovative Scheme for Rural Housing and Habitat Development (ISRHHD, Rural Building Centers, National Mission for Rural Housing and Habitat etc.
4. Provision of Basic Minimum Services
5. Social Security and Pension  
E.g. National Social Assistance Program (NSAP)
6. Rural road connectivity e.g. Pradhan Mantri Gram Sadak Yojana (PMGSY)
7. Provision of Credit at reasonable rates e.g. Public Land Banks (PLB) at Panchayat

### Millennium Development Goals (MDGs)

In the year 2000, 189 nations made a pledge to free people from extreme poverty and multiple deprivations which became the eight Millennium Development Goals (MDGs) to be achieved by 2015. The world recommitted itself in September 2010, to enhance progress towards these goals by identifying a number of dimensions. It provided a good framework for measuring and identifying inclusive development. India is fully committed to achieving the Millennium Development Goals with respect to Eradicate Hunger and Poverty, Promote Gender Equality and Empower Women, Ensure Environmental Sustainability and Develop a Global Partnership for Development.

### Outlays and Expenditure for Rural Development Non-Plan Schemes (Rs. in Crore)

| Name of the Scheme   | Total Revised Estimates 2011-12 | Total Actual Expenditure 2011-12 | Total Revised Estimates 2012-13 | Total Expenditure upto January 2013 | Total Budget Estimates 2013-14 |
|--|---------------------------------|----------------------------------|---------------------------------|-------------------------------------|--------------------------------|
| Headquarter's Establishment of Department of Rural Development |                                 |                                  |                                 |                                     |                                |
| Grants to National Institute of Rural Development              | 44.78                           | 44.47                            | 44.83                           | 35.35                               | 48.65                          |
| Production of Literature for Rural Development                 |                                 |                                  |                                 |                                     |                                |
| Contribution to International Bodies                           |                                 |                                  |                                 |                                     |                                |

Source: Ministry of Rural Development

**Outlays and Expenditure for Rural Development Plan Schemes**  
(Rs. in Crore)

| Name of the Scheme   | Total Revised Estimates 2011-12 | Total Actual Expenditure 2011-12 | Total Revised Estimates 2012-13 | Total Expenditure upto January 2013 | Total Budget Estimates 2013-14 |
|--|---------------------------------|----------------------------------|---------------------------------|-------------------------------------|--------------------------------|
| Ajeevika- National Rural Livelihood Mission                                  | 677138.54                       | 64218.98                         | 52000.00                        | 40754.32                            | 74429.00                       |
| Mahatma Gandhi National Rural Employment Guarantee Scheme                    |                                 |                                  |                                 |                                     |                                |
| Rural Housing (IAY)  |                                 |                                  |                                 |                                     |                                |
| DRDA Administration  |                                 |                                  |                                 |                                     |                                |
| Grants to National Institute of Rural Development (NIRD)                     |                                 |                                  |                                 |                                     |                                |
| Assistance to CAPART   |                                 |                                  |                                 |                                     |                                |
| Provision for Urban Amenities in Rural Areas (PURA)                          |                                 |                                  |                                 |                                     |                                |
| Management support to RD programme & strengthening district planning process |                                 |                                  |                                 |                                     |                                |
| Pradhan Mantri Gram Sadak Yojna (PMGSY)                                      |                                 |                                  |                                 |                                     |                                |
| BPL Survey   |                                 |                                  |                                 |                                     |                                |
| Flexi fund   |                                 |                                  |                                 |                                     |                                |

**CONCLUSION**

This is a fact that poverty cannot be reduced if economic growth does not occur. However, merely achieving high economic growth doesn't fulfill the objective of rural development because the distribution of income is not uniform. There are chances that rich becomes richer and poor becomes poorer. In fact, the persistent poverty of a substantial portion of the population can dampen the prospects for economic growth. In this way, high and stable economic growth can only be achieved through a well-planned rural development. Government implemented a number of programs like health care, education, water, sanitation, roads, drainage, electricity, credit facilities, training for self-employment and other social welfare services as an attempt for rural development and enable rural poor to better access to economic opportunities. However, the challenge for government is to combine its growth promoting policies with the right policies for reassuring that the poor fully participate in economic development.

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