

RURAL ECONOMY – ISSUE AND CHALLENGES IN AGRICULTURAL REFORMS

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Abstract

The Rural Sector of the economy faces a number of problems some of which are of a long standing while the other have their origin in the more recent developments. More and More countries have started realizing that managing the rural environment in a strong way to help them to grow their economy in a better way. The Rural Sector is important for the society because it generates the growth and development of the civilization to sustain for better existence. Economic growth and rural sector is connected because most of the resources available for development come from the rural societies. The basic aim of this paper is to study and analysis the condition, issues and challenges of the rural sector. The main aim of the paper is to frame a strategic framework for the development of the rural sector to create a better tomorrow for India.

Keywords : Rural Economy, Rural Development, Sustainable Development.

Introduction

The Rural Sector of the economy faces a number of problems some of which are of a long standing while the other have their origin in the more recent developments. More and More countries have started realizing that managing the rural environment in a strong way to help them to grow their economy in a better way. The Rural Sector is important for the society because it generates the growth and development of the civilization to sustain for better existence. Economic growth and rural sector is connected because most of the resources available for development come from the rural societies. The basic aim of this paper is to study and analysis the condition, issues and challenges of the rural sector. The main aim of the paper is to frame a strategic framework for the development of the rural sector to create a better tomorrow for India.

Literature Review

Chauhan (2014) stated that there is a need of rural development in India for National Building and also says that there are no universally accepted approaches to rural development. It is a choice influenced by time, space and culture. The term rural development connotes overall development of rural areas to improve the quality of life of rural people. In this sense, it is a comprehensive and multidimensional concept and encompasses the development of agriculture and allied activities, village and cottage industries and crafts, socio-economic infrastructure, community services and facilities and above all, human resources in rural areas. As a phenomenon, rural development is the end-result of interactions between various physical, technological, economic, social, cultural and institutional factors. As a strategy, it is designed to improve the economic and social wellbeing of a specific group of people – the rural poor. As a discipline, it is multi-disciplinary in nature, representing an intersection of agriculture, social, behavioural, engineering, and management sciences (Katar Singh 1999). Rural development has always been an important issue in all discussions pertaining to economic development, especially of developing countries, throughout the world. In the developing countries and some formerly communist societies, rural mass comprise a substantial majority of the population. Over 3.5 billion people live in the Asia and Pacific region and some 63% of them is rural areas. Although millions of rural people have escaped poverty as a result of rural development in many Asian countries, a large majority of rural people continue to suffer from persistent poverty. The socio-economic disparities between rural and urban areas are widening and creating tremendous pressure on the social and economic fabric of many developing Asian economics.

Anbalagan, (2011) A. Chandra Sekhara Reddy & Dr. C. Anbalagan in their paper 'Effective Rural Development Strategies for the improvement of Indian Economy' describes that the people lives in rural areas are majority depends on agriculture. The rural agricultural production & consumption process plays predominant role in developing the Indian Economy. The major objective of rural development is to increase farm productivity, for achieving rapid economic transformation, increasing profits to farmers and to increase the household outputs of selected agricultural products. The article majorly focused on the various rural development strategies in field

of agriculture, starting from management of land, labour and natural resources to the effective marketing harvesting, pre-processing methods and effective strategies to be followed.

K. Kaliyamurth, (2010) in his paper 'impact of globalization on rural development in India- Some Issues and Concerns' explains that the term globalization has been associated with key areas of change, which have led to a marked transformation of the world order. Globalization in India is generally taken to mean integrating the economy of the country with the world. This, in turn, implies opening up the economy to foreign direct investment by providing facilities to foreign companies to investment in different fields of economic activity in India. The main policy initiated towards globalization by the Government of India can be discussed under many headings. Globalization can be a major force for prosperity only if it is backed by adequate national policies and conducive social and economic environment. The present paper is totally based on secondary data. The paper gave an overview of what the forces of globalizaion have in store for the women in India. The various impacts of globalization on the society as well on women in India were also highlighted in the paper. The data thus collected shows the status of globalization in India, the significant role played by the new economic policy in promoting the Indian Economy, does globalization cause poverty, why are so many people opposed to globalization and Can globalization be controlled. A large group of working women of India is in the rural and unorganized sectors. Socially the majority of Indian women is still tradition bound and is in a disadvantageous position. Since globalization is opening up the Indian economy suddenly at a very high speed, without the required economic and social policies to provide the much required safety net, women who have been involved with production in the traditional ways, have to cope with numerous problems and yet try to avail of the opportunities which an open economy promises. With this background, this paper mainly focused on the Anthropological vision and critical reality on the impact of globalization on Indian Rural Women from various angles.

Ganiee (2014) in his paper 'A case study of Rural Development Programmes in India' stated that the Rural Development generally refers to the process of improving the quality of life and economic welfare of people living in relatively isolated and sparsely populated areas. Mahatama Gandhi National Rural Employment Guarantee Act (MGNREGA) is considered as a 'Silver Bullet'

for eradicating rural poverty and unemployment, by way of generating demand for productive labour force in villages. It provides an alternative source of livelihood which will have an impact on reducing migration, restricting child labour, alleviating poverty, and making villages self-sustaining through productive assets creation such as road construction, cleaning up of water tanks, soil and water conservation work, etc. For which it has been considered as the largest anti-poverty programme in India. In this paper, based on the secondary data, an attempt has been made to comprehensively understand the development effort to rebuild the rural life and livelihood on the basis of various secondary data.

Nair (2014) mentions that India is emerging as a major power economy and our cities and urban centres are beginning to display marks of affluence. Unfortunately, our development is lopsided. The rural hinterlands are not able to march in tandem with urban India. About 69% of the country's total population continues to live in rural India. There is no trickledown effect. The benefits of economic growth are not percolating to more than two-thirds of the people. The vital sectors such as agriculture, infrastructure development and community and social services, and in rural development as a whole, our performance is not appreciable. Economic development in any country to a greater extent depends on rural development and it assists the economy to grow and sustain. In the rural areas agriculture is the main source of livelihood to the people. There is direct relationship between agriculture production, income and the demand for industrial goods. People living in the rural areas have to struggle to earn wages or are forced to migrate to urban areas. The migration pattern varies with the region, opportunities and socio-economic status of the families. The poorest families, particularly the landless and marginal holders owning poor quality land tend to migrate with the entire family. Many tribal families migrate to cities as construction workers and return at the onset of the rains. Such migrations severely affect the quality of life, due to poor health, lack of education and social pressures leading to erosion of moral values. The objectives of the paper are to analyse the challenges facing the rural areas and suggest ways to overcome these challenges and to create opportunities of gainful self-employment for the rural families, especially disadvantaged sections, ensuring sustainable livelihood, enriched environment, improved quality of life and good human values. This is being achieved through development research, effective use of

local resources, extension of appropriate technologies and up gradation of skills and capabilities with community participation.

Kalotra (2013) stresses on the fast pace of technology advanced every sphere of social, economic, political cultural life, produce, reduce costs, distribute, and expect higher profits. The focus is on tapping the rural markets. Urban markets have saturated led to look rural markets. This paper presents a review of rural markets' environment, problems and strategies in India. Rural marketing has become the latest mantra of most corporate even MNCs are eyeing rural markets to capture the large Indian Market. The rural market consists of 70 percent population, twice as entire markets of USA and would become bigger than consumer markets in countries like South Korea Canada in another 20 years. Using Primary and Secondary data collected from various market segments. It exhibits linguistic, regional and cultural diversity and economic disparities. Increase in purchasing power fuelled lot of interest. Several companies are exploring cost effective channels like HUL/ITC/Colgate/Godrej/Nokia/BPCL.

Patel, 2013 describes the challenges and strategies of rural marketing in India. The rural market in Indian economy can be classified under two broad categories. These are the market for consumer goods that comprise of both durable and non-durable goods and the market for agricultural inputs. In recent years, rural markets have acquired importance, as the overall growth of the economy has resulted into considerable increase in the purchasing power of the rural people and preferences of rural people are also getting changed. So, every marketing player is keen to invest in rural markets. Though there is huge potential and substantial growth opportunities in rural market, yet there are some challenges too, which caused hurdles in tapping rural markets. This study is a step forward in exploring various strategies to be adopted in the rural market along with the current scenario of rural marketing, highlighting key challenges related to rural marketing.

Objectives

- To analyze the development in Rural India.
- To explore the issues and challenges of Rural Economy.
- Suggest possible ways to alleviate these problems.

Research Methodology

The methodology of the Research is based on systematic approach, according to which the rural economy is considered as an open social and economic system, which ensures the transformation of the exogenous and endogenous potential of rural areas into the corresponding level of rural development, the welfare of the rural population. The argumentation of the conclusion drawn is based on the analytical indicators of social and economic development of rural areas of India. The Annual reports and official data of SSO as well as articles and analytical materials in the field of rural development of other scholars became the source of information. The research methodology was based on statistical methods that made it possible to systematize the information. The methodology used contributed to the solution of the task and the preconditions for overcoming the challenges of sustainable development of the rural economy in India.

The problems and the environment for further Reforms

India's agricultural is facing a lot of challenges to raise food supply with a low per capita land endowment, to create employment opportunities and raise farm income and to improve rural infrastructure for sustain development.

Before the Rural Reform beginning in the late 1991. India's development strategy focused on how to raise productivity through collectivisation. It was thought that it would not only provide full employment in rural areas but also increase incentives for farmers to work. This would ensure rapid growth of farm income. It was also believed that the government would be in a better position to exploit scale economics by enlarging farm size and building rural infrastructure however the government thought proved to be a failure. Not only did it fail to provide work incentives to farmers and hence resulted in low productivity and low income growth, but it also created inefficiency in the use of rural infrastructure.

The house hold production responsibilities system introduced in the late 1980s proved to be a much more effective system in stimulating farm incentives and mobilising rural resources. Due to this system farm output increased and overall rural economy has kept growing at an impressive rate. While farm incomes increased under employment decreased.

There have been extensive reforms in land tenure. This provide much needed certainty for landuse. Over time, compulsory state procurement of farm commodities has been loosened, although not completely abolished. Free markets were legalised and eventually encouraged. These reforms laid the foundation for the rapid growth of the rural economy over the past three decades.

The number of problems have emerged in the recent years. First, the house hold production responsibility system needs improvement. This is essentially an issue of land tenure. This partly results from the fear of a repeat of the collectivisation policies and partly because of the delays in announcing the new land tenure system. It was not until 1996 when the lease policy was formerly announced in addition, this lease policy is not really long enough to address farmers concern. As a result long-term farms investment has been weak, punishing farming.

Second the growth of farm income has been unsatisfactory in recent years. While most farmers now have enough food, disposable cash income is very limited. There are several reasons for this. As production costs increase, returns from farming have declined in recent years. Much of the value added in the processing of agricultural commodities is obtained by urban industries and farmers benefit little from it. Although there is scope for farmers to adjust the structure of farm production, this has been hampered by the food self-sufficiency policy. Farmers have not been able to move to production of high value added agriculture commodity as they should have without policy discretions. The development of processing industries in rural areas has also been slow and the pace at which rural township enterprises absorb surplus labour has slowed in recent years. Despite this, farmers face restrictions in searching for employment opportunities in other areas, especially in cities. Local taxes and charge have also been increasing. The central government has not been able to alleviate these burdens effectively despite several attempts.

Third, both private and public investments in agricultural has been inadequate. Agriculture has not been given priority in public investment despite the rhetoric. The slow growth in rural income gives farmers limited capacity to compensate for the decline in public investment. The state-controlled farm procurement agencies have issued so many IOUs, that many farmers face a liquidity problems. The instability of the current land tenure system has also increased uncertainty over long

term investment. The lack of agricultural investment raises the question of the sustainability of India's agricultural development.

These problems are well recognized, but there is disagreement about the timing of further reform. This has more to do with political will than the economic environment. There are several favourable conditions for the acceleration of economy reforms at present such as stabilization of domestic agricultural market due to price hikes, bumper harvest, large grain stock etc. that has created the much needed social and political environment for further reforms.

The overall macro-economic environment is also conducive to further agricultural reforms. After several years of serious macro-economic instability, India has achieved high economic growth with low inflation. This looks likely to be maintained if the government continues to follow prudent macro-economic policy. The stable macro-economic environment should halt or slow down the flow of resources from agricultural to the urban economy, especially to the real estate sector. Stable prices for agricultural inputs will also increase the confidence of farmers in agricultural production.

Third, more experience in rural reforms has been gained. Family land holding are not subject to change with change in family size. These policy have substantially increased the certainty of land tenure. Agri-business have also emerged, further integrating, farming with agricultural processing and marketing. All these experiments and reforms have provided valuable insights into the direction of further reforms.

Fourth, major urban reforms will stimulate rural reforms and provide greater opportunities for the agricultural population. Despite more than a decade of reform, the urban economy, especially the state sector is facing more difficulties. There is great pressure for structural adjustment. Under utilization of productive capacity is widespread among state enterprises, and financial difficulties have worsened in the past few years. This has increased fiscal pressure for both the central and local government to accelerate urban reform. As urban reform proceeds, a level playing field in the urban economy will emerge, providing rural enterprises and population with greater opportunities in investment and employment. If the shareholding system is implemented, transaction costs between rural and urban enterprises will be reduced.

Challenges and Options

In the decades ahead, India has to meet challenges arising from three fundamental changes in the economy.

- The transformation of a largely agricultural economy to a modern industrial economy.
- A continuous transition from central planning to a market-oriented economic system.
- The inter-nationalisation of the Indian Economy.

India is a large developing country with a population of about 1.3 billion. Economic & Social development varies from region to region, and cultural diversity across regions is significant. To meet these challenges, economic policies need to be formulated on the basis of regional diversity.

In the process of industrialization, productive resources will move from agriculture to secondary and tertiary industries. At the same time demand for agricultural commodities will continue to grow rapidly as income level increase. How to absorb the released rural resources particularly labour, into non-agricultural industries while ensuring adequate food supply is a difficult task, particularly given the increasing interdependence of various sectors of the economy. Any policy targeting a particular sector will have major impacts (intended or unintended) on other parts of the economy.

Policy Recommendations

1. Further reforms of land tenure
2. Reforming the grain marketing system
3. Promoting agri-business
4. Breaking the segregation of the rural from the urban economy, and facilitating rural-urban labour mobility.
5. Deepening the reforms of rural institution.

Conclusion

The critical issues that plague Indian agriculture at present are the knowledge deficit and infrastructure deficit, especially in the rural areas. Problems related to irrigation infrastructure, market infrastructure and transport infrastructure add significant cost to farmer's operations. Another issue is lack of delivery mechanisms. There are a number of schemes aimed to bring development in agriculture. We do not have effective delivery mechanisms that can translate into effective facilitation in terms of increasing productivity or decreasing cost or increasing price realization at the ground level. Moreover, inadequate government support exacerbates these issues. Thus, corporate farming could be a solution to Indian agrarian sector, but it needs a deep thinking and innovating better policies so that neither the corporates nor the farmers be at loss. Also the role of central government and state governments needs to be defined clearly as because of being a joint subject, it creates lot of confusion. Eminent experts should do research in this aspect and governments must take a proactive action. Indian agrarian sector in fact requires very innovative ideas for uplifting of this sector. Also, without mechanization, farming is hard and back-breaking work. This has resulted in most farmer's children quitting farming and going for other vocations. Farmers get more money in selling their land to builders, malls and factories. This has put more pressure on farmland, thereby requiring technologies to increase the productivity so that shrinking farmland can feed billion plus people of India in the future. India, though one of the biggest producers of agricultural products, has very low farm productivity, with the average only 33 percent of the best farms world over. This needs to be increased so that farmers can get more remuneration from the same piece of land with less labour.

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