

Rural Development- SEC Fourth Sem, GEO

Ramsaday college

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Objectives of rural development

The specific objectives of rural development are:

- **Raising the standard of living** of people in rural areas,
- **Alleviating poverty in rural areas** and improving the quality of life of the people,
- Development of both farming and non-farming activities so as to generate **gainful employment**,
- Changing the **attitudes of the rural people** towards transformation of village community,

Objectives of rural development

- **Provision of social infrastructure** such as drinking water, health-care, education, sanitation, housing, road, electrification, etc, and
- **Maximum utilisation of local resources** without adversely affecting the environment.

Meaning of Rural Development

Concept and Definition:

- Rural development is a **multifaceted phenomenon**. As a result, there is a host of definitions of which none is universally acceptable. It is, however, argued that regardless of the conflicting views about development, there exists a wide **consensus that people are at the center of all development process** (Okore, 1992). Thus, there has to be a positive and qualitative change in the economic, socio-political and cultural lives of the people for development to be said to have taken place.

Concept and Definition:

- The central idea of development as summarized by Sen (1999), is the **enhancement of individual's abilities to shape their own lives**.
- Madhu (2000) defines rural development as activities concerned **with improvement** of spatial and **socio-economic environment of rural areas** so as to enhance the ability of the individuals to cater to and sustain their wellbeing.
- Singh (1986) says that rural development connotes over all development of rural areas with a view to **improve the quality of life of the rural people**.

Concept and Definition:

- World Bank (1975) defined rural development as implying the **improvement in the living standard of masses of low income population** residing in rural areas and making the process of development self-sustaining.

Approaches to Rural Development in India

Sl no	Approach	Emphasis	Programmes
1	Multi Purpose Approach	All round development of villages based on self-help and selfreliance	Community development programme (1952)
2	Sectoral approach	Intensive development of selected sectors namely, age/culture with concentration in area of comparative advantage	Intensive Agricultural District Programme (IADP) (1960)
3	Target approach	Growth with social justice for promotion of weaker section of rural area	Small Farmers Development Agency (SFDA), Marginal Farmers Development Agency (MFDA), Antyodaya.(1971)

Sl no	Approach	Emphasis	Programmes
4	Area development approach	Spatial planning and reduction of regional imbalance	Command Area Development Programme (CADP) (1974)
5	Basic needs approach	Equalisation of social consumption	Minimum needs programme (MNP) (1972)
6	Employment oriented integrated rural development	Removal of unemployment, poverty through sectoral and area integration	Integrated rural development programme TRYSEM, (1979) DWCRA, Jawahar Rozgar Yojana, (1989) Indira A was Yojana, Employment Assurance Scheme, SGSY,(1985) DDP, DPAP, (1970) National Rural Employment Assurance (2006)
	Source: Based on Lalith N. (2004)		

Decentralized Planning and Participatory Development

- Planning can be viewed at the macro level (national) planning and micro-level (area or unit) planning.
- Micro-planning actual refers to decentralized planning.
- Micro level planning may play a very crucial role in the context of rural development if it is treated as an integral part of development planning.
- Decentralized planning involves dispersal of planning both in respect of formulation of plans and their implementation.
- The process of planning gets dispersed over a number of governments : Central Government, State Governments and the lower level of Governments of districts, blocks and villages or the local governments like the Panchayati raj institutions for the rural areas and the municipalities for the urban areas.
- This concept of decentralized planning ensures that the public, through elections, participates in the government, and through its representatives shapes the plan process.

Central Act

- The Constitution (73rd Amendment) Act 1992, (hereafter referred to as the Central Act) was a watershed in the history of decentralized governance, planning and development.
- It made panchayats the third tier of government with reasonable substance and contents in terms of powers and authority as well as creating adequate space for women and marginalized groups in the federal set-up.

Extension Act

- Decentralized democracy was extended to the fifth scheduled areas of states through the provisions of the panchayat (Extension to the Scheduled Areas) Act, 1996 (hereafter referred to as Extension Act).

Role of Panchayats in Decentralized Rural Development

- Three tier structure of Panchayat Raj System:
 - Village level: Gram Panchayat
 - Block level : Panchayat Samiti
 - District level : Zilla Parishad

Gram Panchayat

- Gram Panchayat is the base of Panchayati system in India
- A Gram Panchayat is formed in a village which has a population of 300 or more or else two or more villages are clubbed together.
- Functions of Gram Panchayat includes
 - Providing sufficient water supply
 - Maintenance of village roads
 - Making the arrangement of lights on village roads
 - Public health, hygiene and sanitation
 - Development of agricultural activities, etc

Panchayat Samiti

- Every district is separated into a number of blocks consisting of some neighbouring villages.
- For each block there is one Panchayat Samiti in which the Block Development Officer (BDO) take steps as the ex-officio Executive Officer.

Zilla Parishad

- Zilla Parishad looks after the administration of rural areas of a district.
- The officers of the Zilla Parishad operate from the district head quarters.
- The main function of the governing body is to provide crucial facilities to the rural people and to commence development programmes in the village

Salient feature of Central Act

- (i) Formation of **gram sabha** at village level;
- (ii) **Uniform three-tier system** at village, block and district levels with exemption for intermediate level in states with a population of less than two million;
- (iii) **Direct election** to all seats for all members at all levels;
- (iv) Indirect elections of chairpersons at intermediate and apex levels; however, mode of election for the lowest level is left to the state;

Salient feature of Central Act-contd

- (v) **Reservation** on rotational basis for the **SCs and STs** in proportion to their population both for membership as well as chairpersonships of panchayats at all levels;
- (vi) **Reservation** of not less than one-third of the seats and offices for **women**;
- (vii) **Five-year term**;
- (viii) Fresh elections within six months in case of suppressions or dissolution;

Salient feature of Central Act-contd

- (ix) Devolution of powers and responsibilities by the state in preparation and implementation of plans for economic development and social justice including implementation of schemes relating to the subjects listed in the Eleventh Schedule of the Act;
- (x) **Setting up state finance commission after every five years** to review the financial position of these institutions and to make suitable recommendations to the state on the distribution of funds among panchayats;

Salient feature of Central Act-contd

- (xi) **Setting up state election commission** for holding panchayat elections under its superintendence, direction and control;
- (xii) Seventy-fourth Amendment to the Constitution providing for constitution of **district planning committee to prepare a draft plan** of the whole district comprising panchayats and municipalities.

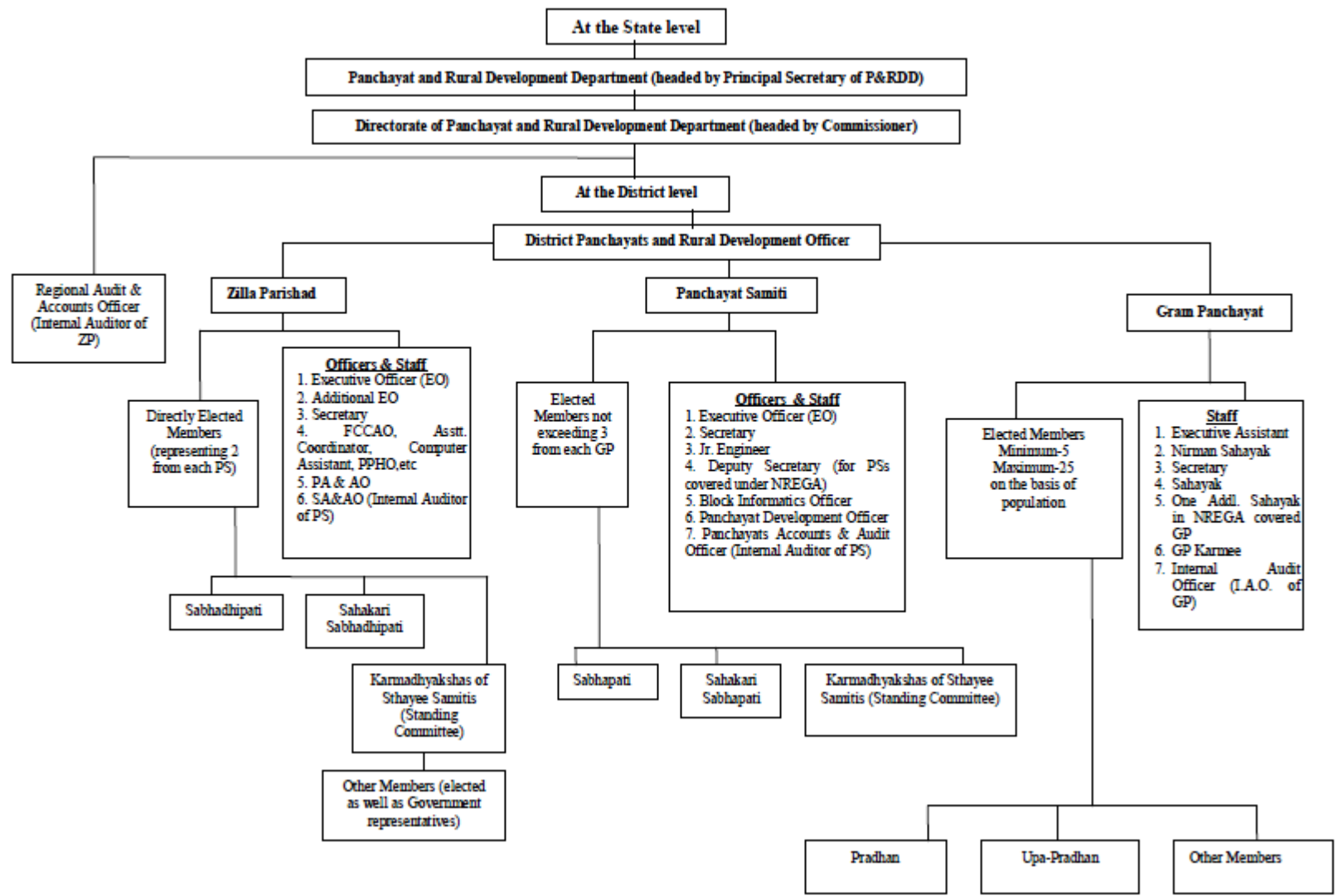
salient features of the Extension Act

- (i) Every village shall have a **gram sabha** consisting of persons whose names are included in the electoral rolls for the panchayats at the village level;
- (ii) Reservation for scheduled tribes (STs) shall not be less than half of the total number of seats at all tiers of panchayats. Reservation of tribal communities shall be on the basis of proportion to their population. The chairpersonship shall be reserved for STs at all levels of panchayats. In case some ST communities have no representation at intermediate or district level panchayats, the state government shall nominate such under-represented STs.

salient features of the Extension Act-

contd

- (iii) Gram sabha shall be competent to **safeguard and preserve the traditions and customs of the people**, their cultural identity, community resources and customary mode of dispute resolution;
- (iv) **Gram sabha is empowered to approve plans**, programmes and projects for social and economic development, to identify persons as beneficiaries under the poverty alleviation and other programmes and to give certificate of utilisation of funds for various plans and programmes;



At the State level

Panchayat and Rural Development Department (headed by Principal Secretary of P&RDD)

Directorate of Panchayat and Rural Development Department (headed by Commissioner)

At the District level

District Panchayats and Rural Development Officer

Regional Audit & Accounts Officer (Internal Auditor of ZP)

Zilla Parishad

Panchayat Samiti

Gram Panchayat

Directly Elected Members (representing 2 from each PS)

Officers & Staff
1. Executive Officer (EO)
2. Additional EO
3. Secretary
4. FCCAO, Asst. Coordinator, Computer Assistant, PPHO, etc
5. PA & AO
6. SA&AO (Internal Auditor of PS)

Elected Members not exceeding 3 from each GP

Officers & Staff
1. Executive Officer (EO)
2. Secretary
3. Jr. Engineer
4. Deputy Secretary (for PSs covered under NREGA)
5. Block Informatics Officer
6. Panchayat Development Officer
7. Panchayats Accounts & Audit Officer (Internal Auditor of PS)

Elected Members
Minimum-5
Maximum-25
on the basis of population

Staff
1. Executive Assistant
2. Nirman Sahayak
3. Secretary
4. Sahayak
5. One Addl. Sahayak in NREGA covered GP
6. GP Karmee
7. Internal Audit Officer (I.A.O. of GP)

Sabhadhipati

Sahakari Sabhadhipati

Sabhapati

Sahakari Sabhapati

Karmadhyakshas of Sthayee Samitis (Standing Committee)

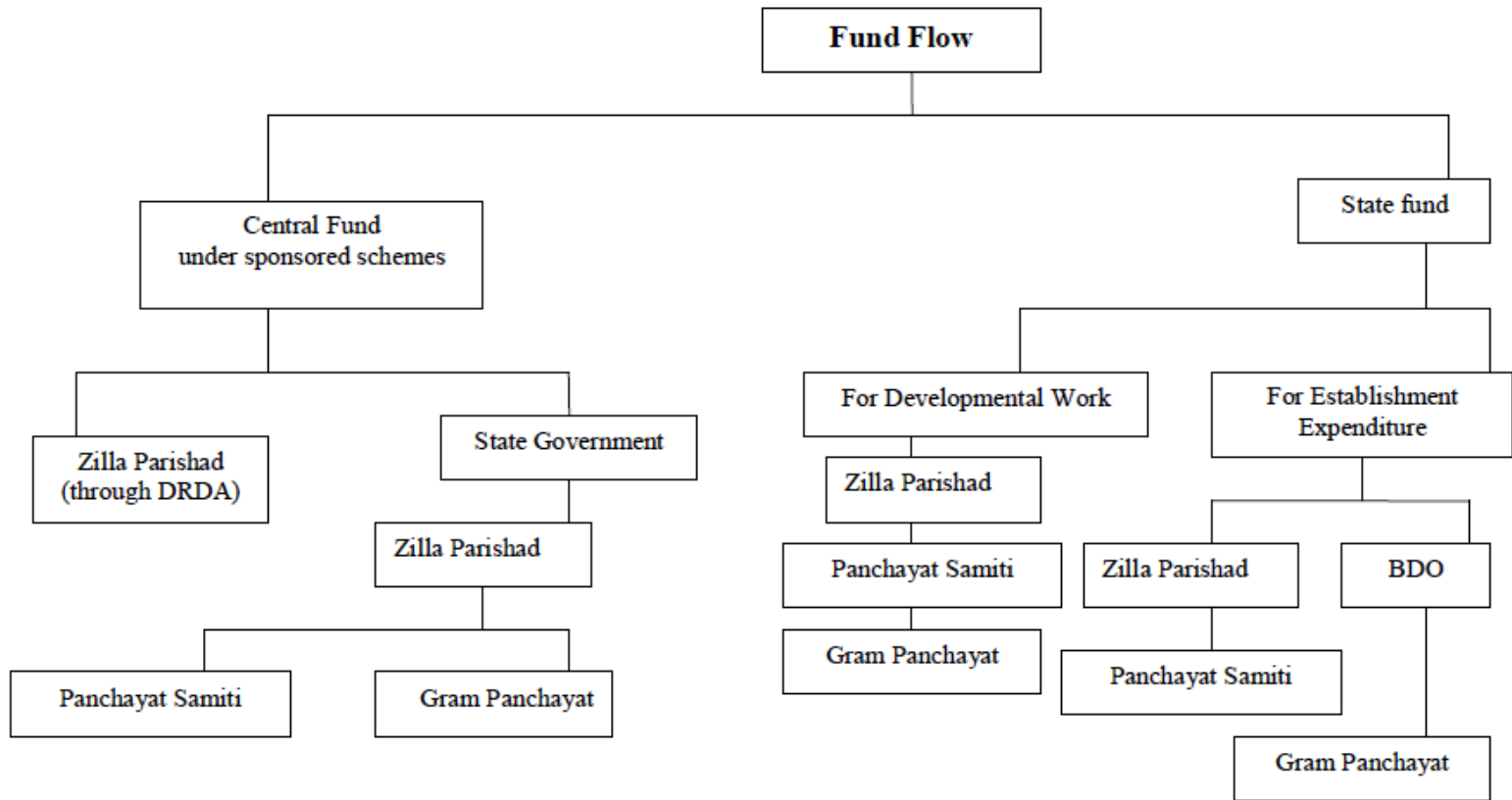
Karmadhyakshas of Sthayee Samitis (Standing Committee)

Other Members (elected as well as Government representatives)

Pradhan

Upa-Pradhan

Other Members



**Plan Outlay for annual plan 2000-01 for all states as per Eleventh
Schedule (Rs Crore)**

Name of Scheme/Programme Outlay	Outlay	Name of Scheme/Programme Outlay	Outlay
Crop husbandry	1268.77	Roads and bridges	8128.44
Soil and water conservation	643.5	Road transport	1265.3
Animal husbandry	354.19	Inland water transport	16.74
Dairy development	49.87	Other transport services	614.5
Fisheries	205.95	General education	4972.07
Forestry and wildlife	1393.03	Technical education	422.49
Plantations	4.63	Art and culture	171.07
Agricultural research and education	292.21	Medical and public health	3306.64
Agricultural finance institutions	61.63	Water supply and sanitation	6031.74
Other agricultural programmes	98.18	Housing	1936.57
IRDP and allied programme	516.16	Welfare of SCs, STs and OBCs	1972.99
NREP/JRY	1161.22	Social welfare	904.26
Other programmes like EAS, etc	1062.46	Nutrition	721.79
Land reform	294.08	Other social services	119.86
Minor irrigation	1907.93	Total	40818.7
Non conventional sources of energy	119.43		
Village and small industries	800.87		

MGNREGA

Mandate and Objectives

- The mandate of the Act is to provide 100 days of guaranteed wage employment in a financial year (FY) to every rural household whose adult members volunteer to do unskilled manual work.

The objectives of the programme include:

- Ensuring **social protection** for the most vulnerable people living in rural India through providing **employment opportunities**,
- Ensuring livelihood security for the poor through **creation of durable assets, improved water security, soil conservation and higher land productivity**,
- Strengthening **drought-proofing and flood management** in rural India,

The objectives of the programme include:

- Aiding in the **empowerment of** the marginalised communities, especially **women, Scheduled Castes (SCs) and Scheduled Tribes (STs)**, through the processes of a rights-based legislation,
- Strengthening decentralised, participatory planning through convergence of various anti-poverty and livelihoods initiatives,

The objectives of the programme include:

- Deepening democracy at the grass-roots by strengthening the Panchayati Raj Institutions (PRIs)
- Effecting greater transparency and accountability in governance.

Coverage

- The Act was notified in 200 rural districts in its first phase of implementation (with effect from 2 February 2006).
- In FY 2007–08, it was extended to an additional 130 rural districts.
- The remaining districts were notified under MGNREGA with effect from 1 April 2008.
- Since 2008, MGNREGA has covered the entire country with the exception of districts that have a hundred per cent urban population.

Salient Features of the Act

- **Registration:** Adult members of a rural household willing to do unskilled manual work, may apply for registration either in writing, or orally to the local Gram Panchayat (GP)
- **Job Card:** After due verification of place of residence and age of the member/s (only adult members are eligible for employment), the registered household is issued a Job Card (JC).
- **Application for Work:** A written application seeking work is to be made to the GP or Block Office, stating the time and duration for which work is sought. The GP will issue a dated receipt of the written application for employment, against which the guarantee of providing employment within 15 days operates.

Salient Features of the Act

- **Unemployment allowance:** In case employment is not provided within 15 days, the state (as per the Act) will pay an unemployment allowance to the beneficiary.
- **Provision of Work:** While allocating work, the below mentioned considerations are followed:

Work is provided **within 5 kilometres (kms) radius** of the village. In case, work is provided beyond 5 kms, extra wages of 10 per cent are payable to meet additional transportation and living expenses. **Priority is awarded to women**, such that at least one-third of the beneficiaries under the Scheme are women. At least **50 per cent of works, in terms of cost, are to be executed by the GPs.**

Salient Features of the Act

- **Wages:** Wages are to be paid as per the State-wise Government of India (GoI) notified MGNREGA wages.
- **Cost Sharing:** The GoI bears the 100 per cent wage cost of unskilled manual labour and 75 per cent of the material cost, including the wages of skilled and semi-skilled workers.

Salient Features of the Act

- **Worksite Management:** To ensure that the workers are directly benefitted under the Scheme, the Act prohibits the use of contractors or machinery in execution of the works.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

- **Launched ?**

- Just a few months after NDA (BJP and its allies) came to power in August 2014

- **Objective ?**

- Financial Inclusion

- **What is Financial Inclusion ?**

- achieving universal banking access

- The Rangarajan Committee's (2008) definition for instance says, "Financial inclusion may be defined as the process of ensuring **access to financial services and timely and adequate credit where needed by vulnerable groups** such as weaker sections and low-income groups at an affordable cost."

Before PMJDY

- The initiative to open Basic Savings Bank Deposit Account (BSBDA) from 2010 can be seen as a precursor to the PMJDY. Under the BSBDA, while there were provisions for opening of “no-frills” zero-balance accounts, the PMJDY goes a little further by including some additional services along with opening of zero-balance accounts with easy know your customer (KYC) requirements.

PMJDY Account

The PMJDY account holders are also supposed to get

- a RuPay debit card
- inbuilt accident insurance cover of Rs 1 lakh,
- an overdraft facility up to Rs 5,000, and
- a life insurance cover of Rs 30,000 (to those beneficiaries who opened their accounts between 15 August 2014 and 31 January 2015).
- Further, through these accounts it is envisaged that various other insurance-based social security schemes such as the Pradhan Mantri Suraksha Bima Yojana, and Atal Pension Yojana as well as DBTs from the governments will be implemented.

Pradhan Mantri Jan - Dhan Yojana
(All figures in Crore)
Beneficiaries as on 04/03/2020

Bank Name / Type	Number of Beneficiaries at rural/semiurban centre bank branches	Number of Beneficiaries at urban metro centre bank branches	No Of Rural-Urban Female Beneficiaries	Number of Total Beneficiaries	Deposits in Accounts(In Crore)	Number of Rupay Debit Cards issued to beneficiaries
Public Sector Banks	16.42	14.01	16.06	30.43	92564.43	24.47
Regional Rural Banks	5.43	1.10	3.68	6.54	21221.36	3.58
Private Sector Banks	0.70	0.56	0.67	1.26	3229.70	1.15
Grand Total	22.55	15.67	20.42	38.22	117015.50	29.20

PMJDY Publicity

- The PMJDY has been accompanied by a lot of publicity and a large-scale public campaign with banks and banking correspondents being given targets for opening accounts as well as ensuring that there is some money in these accounts
- Based on the latest data available on the PMJDY website, about 38.22 crore bank accounts have been opened under this scheme as on 04/03/2020 with deposits worth around Rs 1,17,015 crore and over 1.26 lakh Bank Mitras have been deployed

Few Questions

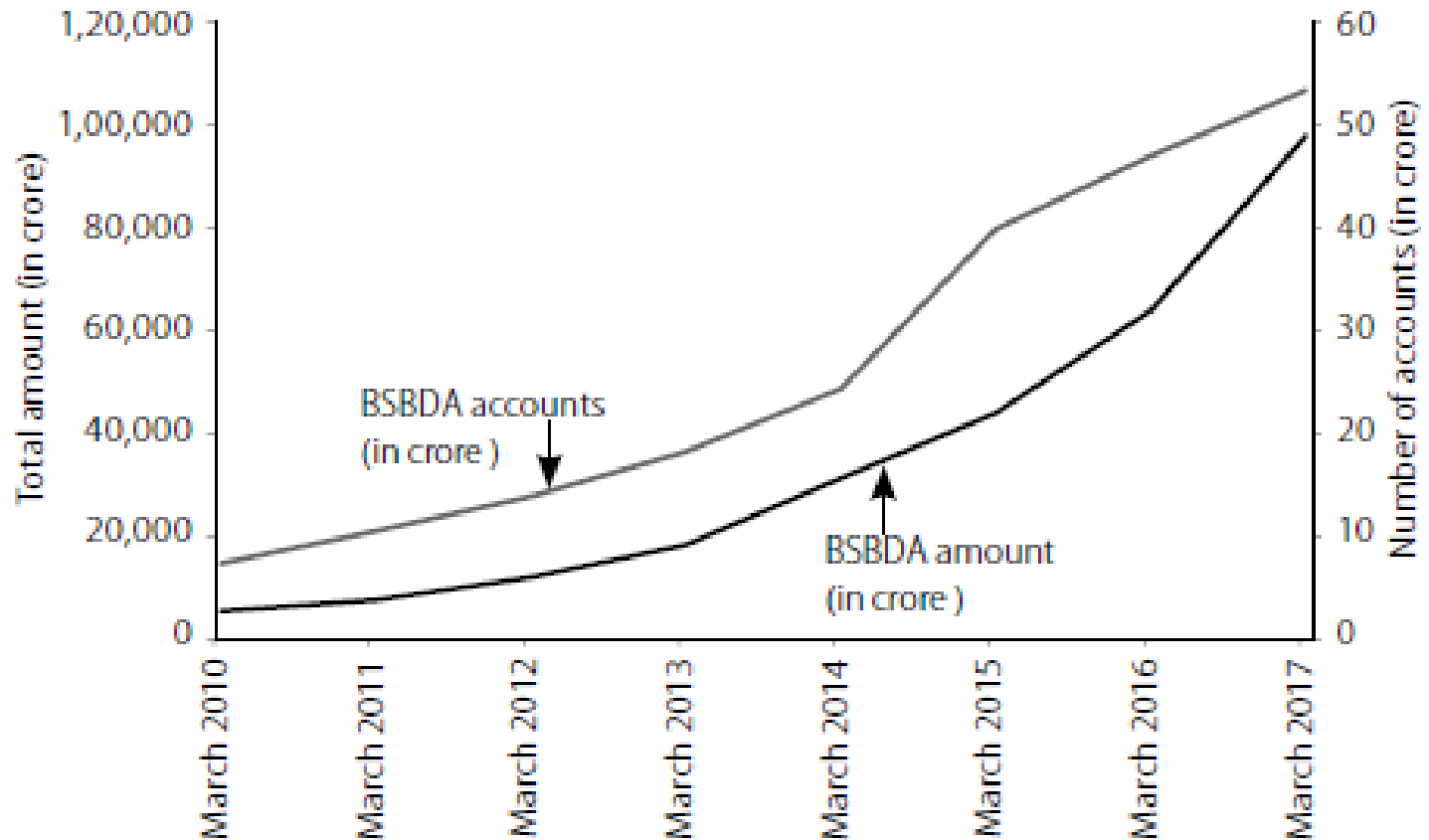
- Has the PMJDY changed the landscape of access to finance for the poorer sections of the population?
- Has the formal credit for the poor changed since the scheme was introduced?

Coverage and Use of PMJDY Accounts

- According to World Bank's Financial Inclusion Insights (FII), the percentage of adults (above 15 years) having an account increased from 35% in 2011 to 53% in 2014 (World Bank website).
- Looking at official Reserve Bank of India (RBI) data, it is seen that there has been **an increasing trend in** the number of BSBDA accounts from 2010 onwards (Figure 1)
- There is **a significant shift in the rate of increase** after 2014, when the PMJDY was launched, with some slowdown after the first year

Coverage and Use of PMJDY Accounts

Figure 1: Number of Bank Accounts (BSBDA, including PMJDY)



Source: RBI Data (<https://dbie.rbi.org.in/>).

No unique Account

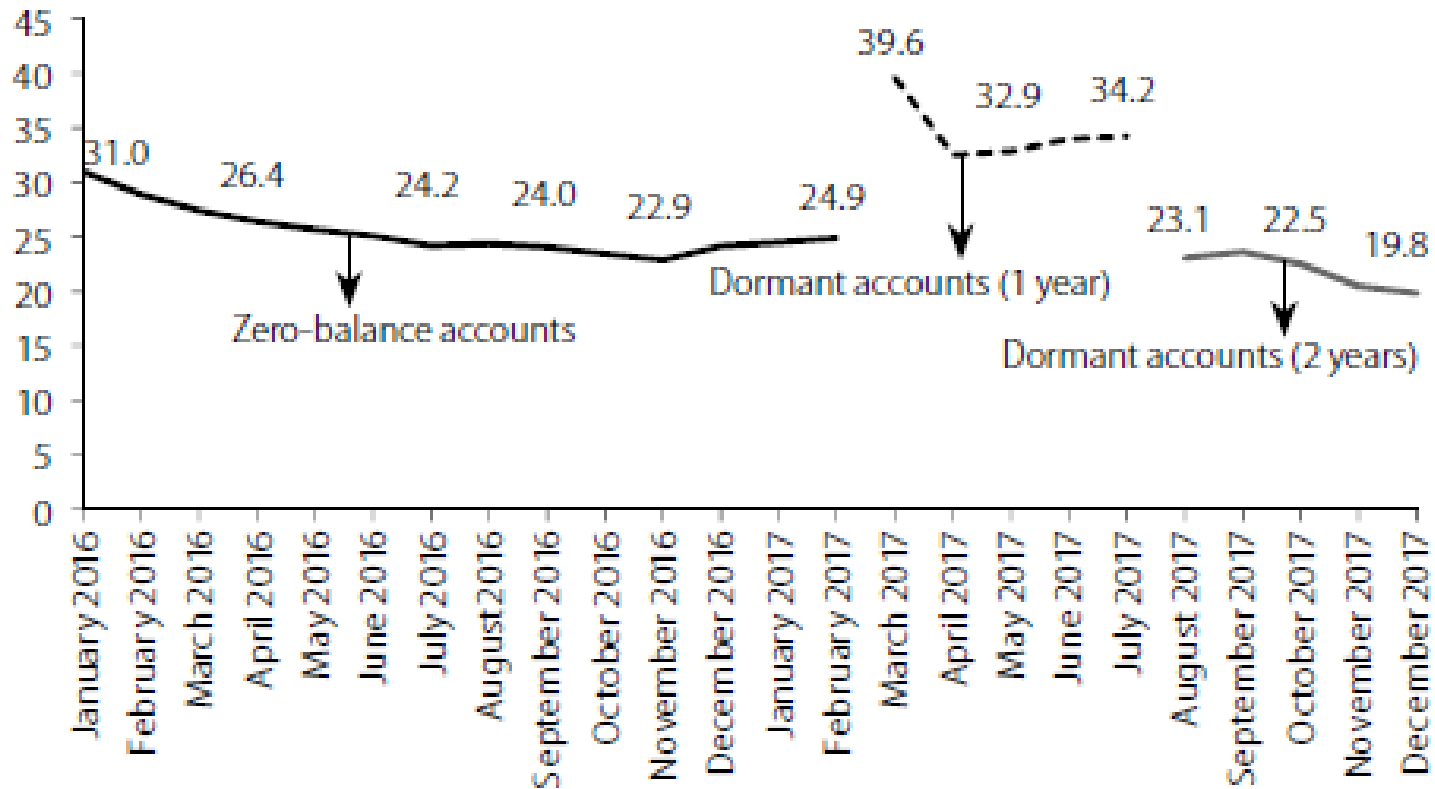
- While there is definitely an increase in the number of accounts, one cannot say how many of the accounts are unique accounts or new.
- In fact, there have been reports that a number of the new PMJDY accounts are actually duplicate accounts, that is, opened by people who already have bank accounts.

Inactive Account

- Along with the issue of duplication of accounts is the problem of a number of accounts being dormant or not being used much.
- Until February 2017, the PMJDY maintained data on the number of zero-balance accounts. Based on this data it is seen that although the Percentage of zero-balance accounts showed a declining trend in the initial months, it then stagnated around 24%–25% from July 2016 to February 2017.

Inactive Account

Figure 2: Zero-balance and Inoperative Accounts



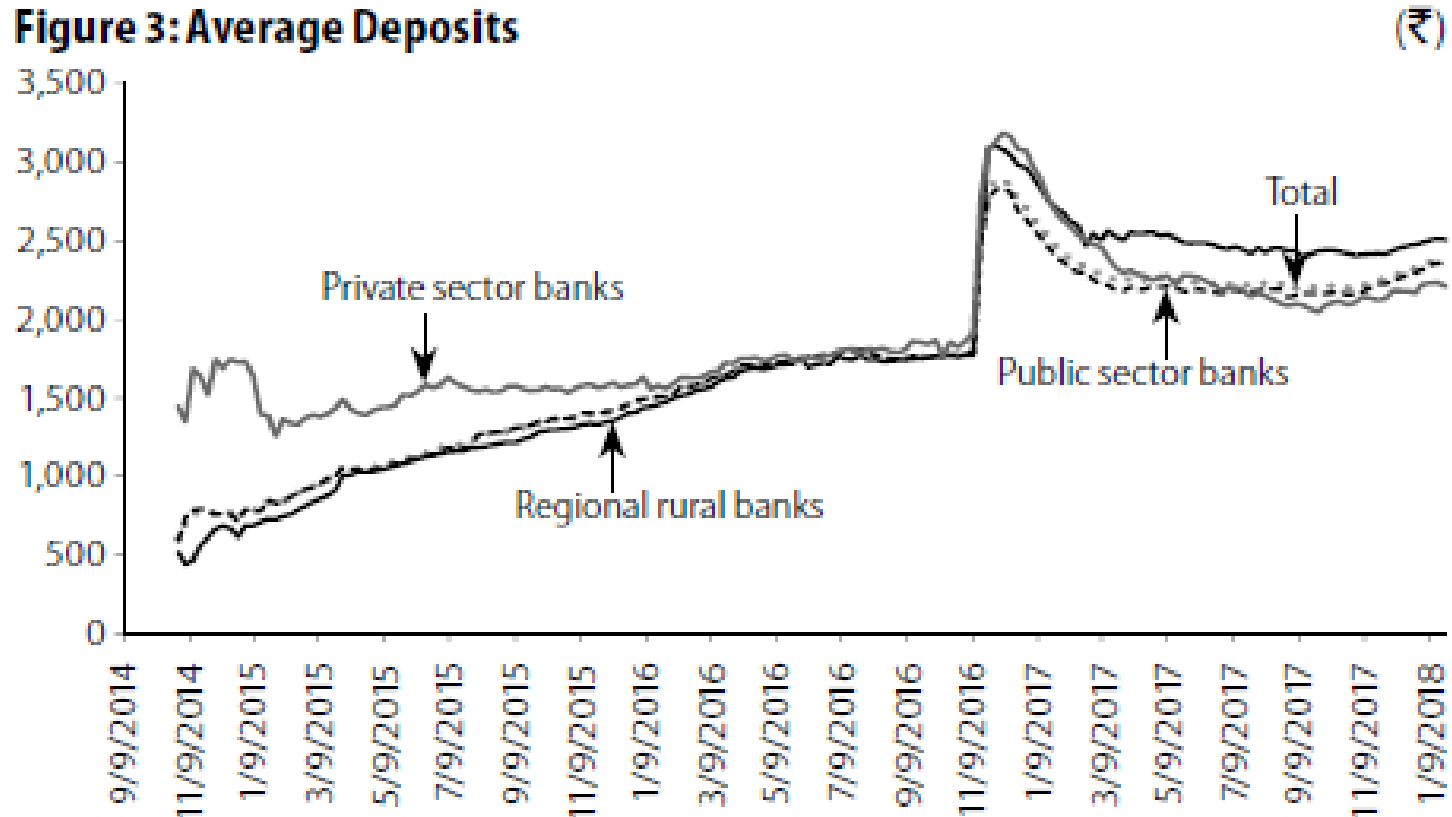
Source: Indiatat (from Ministry of Finance) for ZBA, response to Rajya Sabha question for dormant accounts.

Average Deposits

- Along with accounts not being used, it is also the case that the average deposits in these accounts are very low
- Although there has been a steady increase in the average deposits, three and a half years after the scheme began, it is still less than Rs. 2,500.
- Further, as seen in Figure 3, a spike in average deposits takes place in November 2016 as a result of the demonetisation (immediately after 8 November 2016).

- The Department of Revenue's data show that Rs 42,187 crore had been deposited in 3.74 crore PMJDY accounts during 8 November – 30 December 2016.
- As seen in Figure 3, a large portion of this was also withdrawn soon after.
- However, this sudden rush of deposits raised suspicions on fraudulent use of the PMJDY accounts to deposit unaccounted money.

Average Deposits

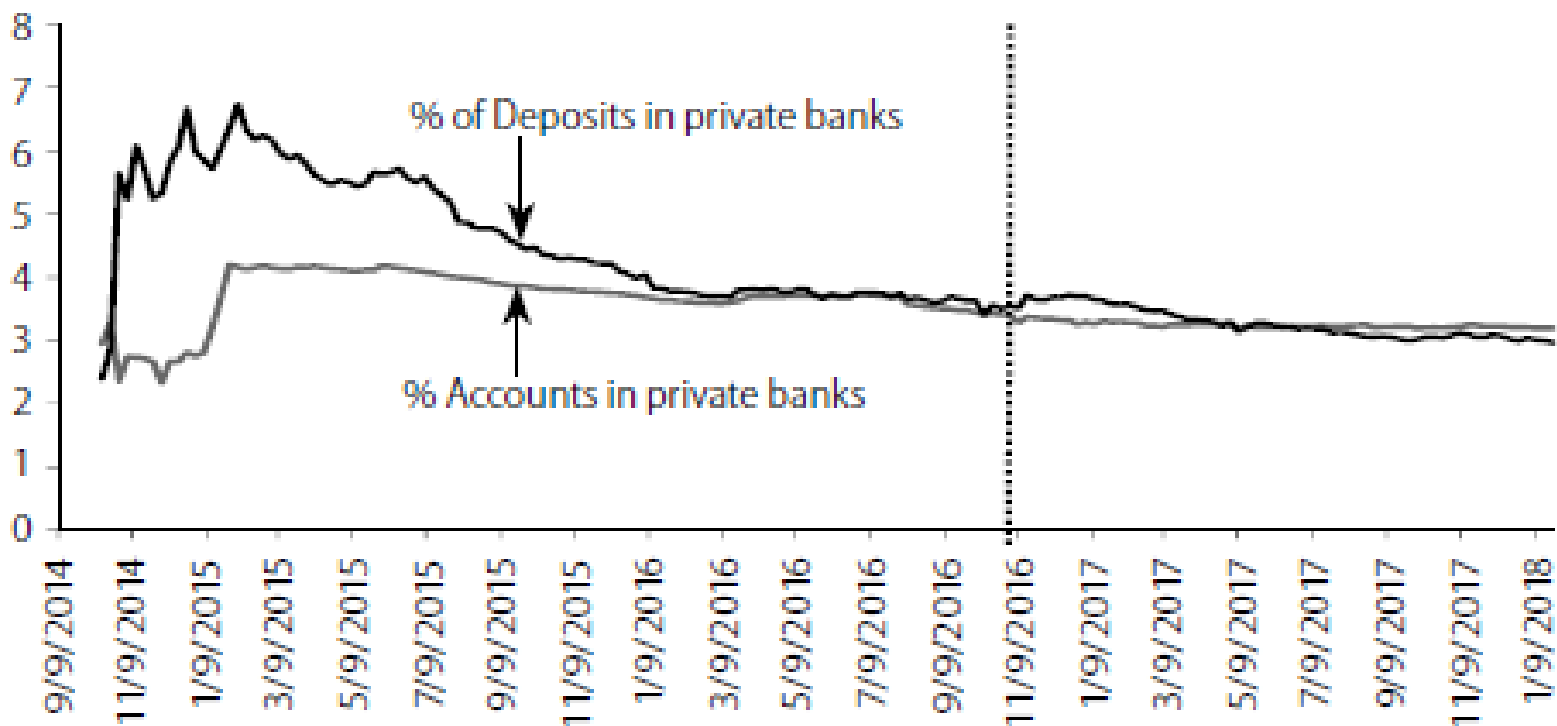


Source: Data compiled from archives of PMJDY website (pmjdy.gov.in).

Bank share in Deposit

- The data also show that the increase in deposits was higher in private banks compared to public sector banks. However, given the insignificant share of accounts and deposits in private banks, this may not mean anything.
- Over the longer period, the rise in deposits in private banks has been slower than in public sector banks, with regional rural banks and public sector banks now having higher average deposits than private sector banks (Figure 5)

Figure 4: Private Banks' Share in Deposits and Accounts

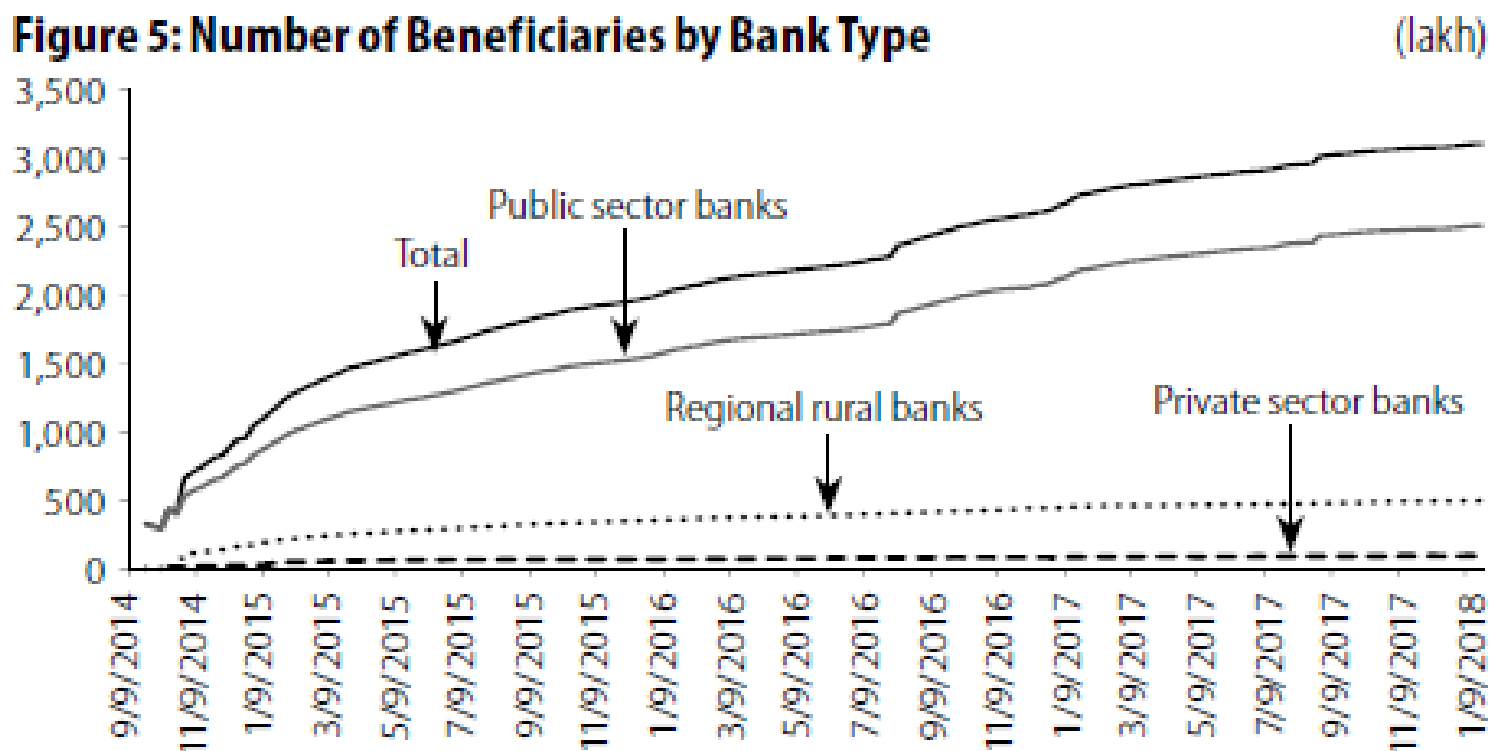


Source: Data compiled from archives of PMJDY website (pmjdy.gov.in).

Dominant public Sector Bank

- On the whole, the PMJDY has been led by public sector banks, with private sector banks having just about 3% of all PMJDY accounts as well as deposits.
- Looking at all deposit accounts in scheduled commercial banks (SCBs) based on RBI data for 2015–16, **12% of all accounts are in private banks with a value of 26%** of all deposits.
- Not only are the number of PMJDY accounts in private banks low, the share of accounts in private banks also saw a decline from a little over 4% to slightly above **3% since the beginning of the PMJDY.**
- Further, given that the share of deposits initially was much higher than the share in accounts indicates that private banks probably did not open zero-balance accounts reaching out to the poorest; rather they may have opened regular accounts **under the guise of PMJDY** accounts.

Dominant public Sector Bank



Source: Data compiled from archives of PMJDY website (pmjdy.gov.in).

Additional Benefit

- As on 27 December 2017, overdraft facilities were availed by only 31.39 lakh beneficiaries, that is, about 1% of the account holders.
- life insurance claim had been paid to only 4,500 beneficiaries (RTI response).
- Note: The death rate for persons aged 15–59 years is 3.4. Based on a back of the envelope calculation, for the 12.3 crore accounts opened by end of January 2015, about 11 lakh beneficiaries would have been eligible for life insurance claims over the three-year period from January 2015 to January 2018. The coverage of 4,500 is therefore less than 0.5% of the number who would have been eligible. The ministry does not even have data of the number of Jan Dhan account holders who are no longer alive.

Credit ?

- If people are only opening bank accounts but neither have the money to save nor find actively operating bank accounts a viable option, then the claims of financial inclusion only remain superficial.
- Has the PMJDY changed the landscape of access to credit for the poorer sections of the population? Has the formal credit–deposit ratio for the poor changed since the scheme was introduced?

Credit–Deposit Ratio

- One of the ways in which access to credit can be assessed is the credit–deposit ratio, which tells us how much credit can be availed per Rs. 100 of bank deposits by a particular population group.
- The RBI categorises this ratio, among others, across regional categories. For our purposes, the category of rural and semi-urban would be important to get a sense of access to formal credit for the poor.

Credit–Deposit Ratio

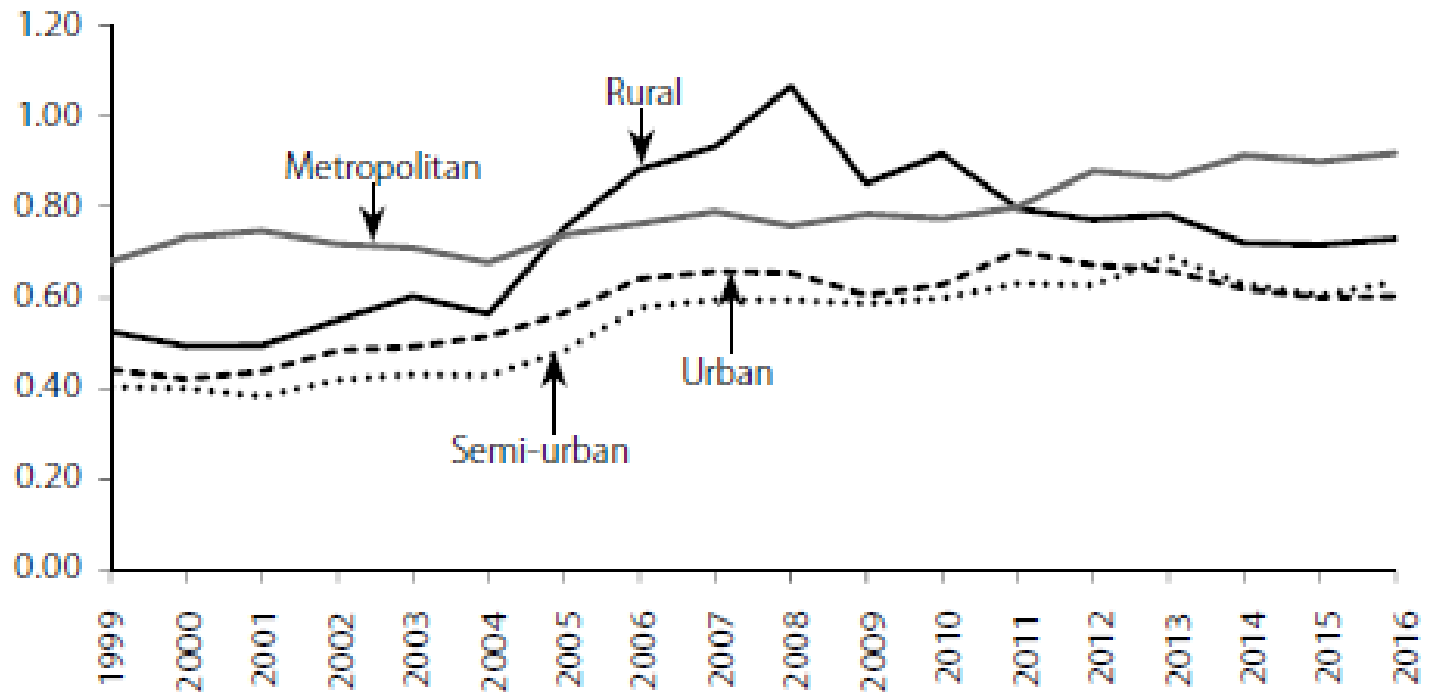
- Figure 6 shows that the credit–deposit ratio for the rural population increased from 41 in 1999 to 66.9 in 2016. However, much of the rise took place **much before the launch of the PMJDY, particularly during the government of United Progressive Alliance–I**, when it increased from 43.6 in 2004 to 57.1 in 2009.
- Since 2014, it has more or less stagnated in rural areas and **has deteriorated** slightly from 58.2 in 2014 to 57.7 in 2016 for semi-urban populations.

Credit Deposit Ratio

- The only category where there has been a marginal improvement in access to credit during the present government is in the metropolitan centres of the country where it has gone up from 94.8 to 96.7.

Credit Deposit Ratio

Figure 6: Credit-Deposit Ratio



Source: RBI Basic Statistical Returns of the SCBs.

Prime Minister Gram Sadak Yojana (PMGSY)

- Government of India has launched the Pradhan Mantri Gram Sadak Yojana (PMGSY) on 25th December, 2000, with the objective of providing Road Connectivity through good All weather roads to all unconnected habitations having a population of more than 1000 persons by the year 2003 and those with a population of more than 500 persons by the end of the Tenth Plan Period (2007).

Benefit of PMGSY

- **Crop Diversification:** When the roads were built many farmers shifted to crops which were considered feasible and more profitable with the new connectivity.
- **Cost of transportation :** Most of the roads built in the rural areas resulted in significant savings in travel time and cost to reach the market.
- **Employment :** The study also brought out that post construction of rural roads, the employment scenario also improved significantly.

Benefit of PMGSY

- **New Enterprise:** Many new income opportunities and small enterprises have flourished simply due to the rural roads.
- **Access to health:** Access to health facilities also improved post construction of the road and very substantial and critically important time is saved. Not only people are travelling outside to access health facilities even more doctors and health workers are visiting these villages more frequently than before.

Benefit of PMGSY

- **Access to Education:** One of the most significant differences was seen was related to education parameters in the comparisons. More schools have come up in the sample habitations and more teachers per number of students were noticed in the habitations where roads are better maintained.