

CUET · ECONOMICS · CLASS XI · CODE 309

Rural Development

CUET unit: Indian Economic Development — Current Challenges
Facing the Indian Economy (Rural Development)

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Snapshot

- **Rural development** is a comprehensive action plan for areas that lag in socio-economic development, where over two-thirds of Indians depend on agriculture.
- Credit and marketing systems are central — from **NABARD (1982)** and social banking (post-1969) to **SHGs, Jan-Dhan Yojana, MSP, buffer stocks and e-NAM**.
- **Agricultural diversification** means cropping pattern shifts and movement of labour into livestock, fisheries, horticulture, and non-farm activities.
- **Organic farming** is an eco-friendly, sustainable alternative to chemical-based conventional agriculture.
- A high-yield CUET topic because almost every section contains a date, scheme name, or statistic that NTA converts into one-line MCQs.
- Memory grid of dated facts: 1969 (social banking), 1982 (NABARD), 2014 (SAGY launched), 2016 (e-NAM), 2020 (three farm laws passed, later repealed).

Detailed Notes

2.1 Core concepts

- **Backdrop:** the majority of India's poor live in rural areas; one-fourth of rural India still lives in abject poverty; more than two-thirds of India's population depends on agriculture (NCERT §5.1, p. 76). Rural India remains the central front in the inequality and poverty story.
- **Mahatma Gandhi's view:** real progress of India lies not in growth of industrial urban centres but in the development of villages (NCERT §5.1, p. 76).
- **Six key areas needing fresh initiative:** human resource development (literacy — especially female literacy, health and sanitation), land reforms, development of productive local resources, infrastructure (electricity, irrigation, credit, marketing, transport, agricultural research and extension), and poverty alleviation for weaker sections (NCERT §5.1, p. 76).
- **Agriculture growth slowdown:** the population dependent on agriculture has not declined despite the falling GDP share; agricultural growth decelerated to about **3%**

p.a. during 1991-2012; GVA growth of agriculture and allied sectors was about **2% in 2023-24**; scholars identify the decline in **public investment since 1991** as the major reason (NCERT §5.2, p. 77).

- **Need for credit**: because the gestation period between sowing and realisation of income is long, farmers borrow for seeds, fertilisers, implements and family expenses (marriage, death, religious ceremonies). The need is universal; the question is who lends and on what terms (NCERT §5.3, p. 77).
- **Pre-independence exploitation**: moneylenders and traders exploited small and marginal farmers and landless labourers through high interest rates and account manipulation, creating a debt trap that persisted for generations (NCERT §5.3, p. 77).
- **Institutional changes: social banking** and a **multi-agency approach** were adopted in 1969; **NABARD** was set up in **1982** as the apex body to coordinate rural financing; the Green Revolution diversified the rural credit portfolio toward production-oriented lending (NCERT §5.3, p. 78).
- **Rural banking structure**: commercial banks, Regional Rural Banks (RRBs), cooperatives and land development banks form the multi-agency institutional set-up (NCERT §5.3, p. 78).
- **Self-Help Groups (SHGs)**: emerged because formal credit (which requires collateral) excluded poor rural households. SHGs promote thrift through minimum contributions and lend from pooled funds at reasonable interest. By May 2019, nearly **6 crore women** were members of **54 lakh women SHGs**; about ₹10–15,000 per SHG and another ₹2.5 lakh per SHG as **Community Investment Support Fund (CISF)** is provided. SHG borrowings are alleged to be largely consumption-oriented — these are called **micro-credit programmes** (NCERT §5.3, pp. 78–79).
- **Critical appraisal of rural banking**: banking expansion helped famines become events of the past and ensured food security via buffer stocks. However, agriculture loan default rates have been chronically high, and formal institutions (except commercial banks) failed to develop a culture of deposit mobilisation and effective loan recovery (NCERT §5.3, p. 79).
- **Jan-Dhan Yojana (PMJDY)**: encourages all adults to open bank accounts; holders receive **₹1–2 lakh accidental insurance cover, overdraft facility of ₹10,000**, MGNREGA wages, and direct transfer of government social-security/pension payments; **no minimum balance is required**. Over **50 crore people** have opened accounts, mobilising more than **₹2,00,000 crore** (NCERT §5.3, pp. 79–80).
- **Agricultural marketing**: a process involving assembling, storage, processing, transportation, packaging, grading and distribution of agricultural commodities (NCERT §5.4, p. 80). Marketing efficiency is critical because surplus production becomes meaningless if it cannot reach the consumer at remunerative prices.

- **Pre-independence marketing problems:** faulty weighing, account manipulation, lack of price information, lack of storage forcing distress sales; even today, **more than 10% of farm produce is wasted** due to lack of storage (NCERT §5.4, p. 80).
- **Four government measures to improve marketing:** (i) **regulation of markets** — about 27,000 rural periodic markets still need to be made regulated; (ii) provision of **physical infrastructure** (roads, railways, warehouses, godowns, cold storages, processing units); (iii) **cooperative marketing** — exemplified by Gujarat milk cooperatives; (iv) **policy instruments** — Minimum Support Price (MSP), buffer stocks of wheat and rice held by the Food Corporation of India (FCI), and distribution through the Public Distribution System (PDS) (NCERT §5.4, pp. 80–81).
- **Emerging alternate marketing channels:** Apni Mandi (Punjab, Haryana, Rajasthan), Hadaspar Mandi (Pune, Maharashtra), Rythu Bazars (Andhra Pradesh & Telangana — vegetables/fruits), Uzhavar Sandies (Tamil Nadu farmers' markets); also fast-food MNC contract farming. **e-NAM**, a Pan-India online portal, was launched in **2016** to connect mandis and Regulated Market Yards. Three farm laws were passed in **2020** and later repealed (NCERT §5.4, pp. 81–82).
- **Diversification — two aspects:** (i) change in cropping pattern, (ii) shift of workforce from agriculture to allied activities (livestock, poultry, fisheries) and the non-agriculture sector. Kharif season is employment-rich; Rabi season suffers in non-irrigated areas — hence diversification is essential to even out income across seasons (NCERT §5.5, p. 82).
- **Non-farm dynamic sub-sectors:** agro-processing, food processing, leather, tourism — have dynamic linkages with the rest of the economy; pottery, crafts and handlooms are subsistence/low-productivity activities (NCERT §5.5, p. 83).
- **Animal husbandry & livestock:** India follows a mixed crop-livestock farming system (cattle, goats, fowl). Livestock supports over **70 million small and marginal farmers** including landless labourers. **Poultry has the largest share (~61%)** of total livestock in India. India had about **303 million cattle (including 110 million buffaloes) in 2019**. Milk production rose about **twelve times between 1951 and 2021**, mainly due to **Operation Flood; Gujarat** is the success story for milk cooperatives. Major milk-producing states: Gujarat, Madhya Pradesh, Uttar Pradesh, Andhra Pradesh, Maharashtra, Punjab and Rajasthan (NCERT §5.5, pp. 83–84).
- **Fisheries:** the fishing community treats the water body as 'mother' or 'provider'. **Inland sources contribute ~75%** of fish production value; **marine (sea & oceans) ~25%**. Total fish production is about **1.5% of GDP**. Major fish-producing states: West Bengal, Andhra Pradesh, Kerala, Gujarat, Maharashtra and Tamil Nadu. About **60% of export marketing and 40% of internal marketing** of fish involves women (NCERT §5.5, pp. 84–85).
- **Horticulture:** contributes nearly **one-third of the value of agricultural output** and about **6% of GDP**. India is a world leader in mangoes, bananas, coconuts, cashew nuts and spices; second largest producer of fruits and vegetables (NCERT §5.5, p. 85).

- **IT in rural development:** IT can predict food insecurity, disseminate information on technology, prices, weather and soil — releasing the creative potential of society and generating employment (NCERT §5.5, p. 86).
- **Sustainable Development & Organic Farming:** conventional agriculture's chemical fertilisers and pesticides harm food, water, livestock, soil and ecosystems. **Organic farming** is a whole system that restores, maintains and enhances ecological balance (NCERT §5.6, p. 86).
- **Benefits of organic farming:** substitutes costlier inputs (HYV seeds, chemical fertilisers, pesticides) with cheaper local organic inputs; generates exports; produces more nutritious, pesticide-free food; labour-intensive — suits Indian conditions of surplus labour (NCERT §5.6, p. 87).
- **Limitations of organic farming:** yields are lower than modern farming in the initial years — hard for small/marginal farmers to adapt; produce has more blemishes and shorter shelf life; choice of off-season crops is limited; infrastructure and marketing problems persist (NCERT §5.6, pp. 87–88).
- **Saansad Adarsh Gram Yojana (SAGY):** launched **October 2014**; MPs to develop one model village by 2016 and two more by 2019; village population 3,000–5,000 (plains) or 1,000–3,000 (hills); cannot be the MP's or spouse's own village (NCERT Box 5.3, p. 86).
- **Historical baseline:** at independence in 1947, India's rural literacy was below 10%, life expectancy under 32 years, and over 70% of the workforce was in agriculture producing barely 50 million tonnes of foodgrains. Rural development has therefore been the longest-running policy challenge of the Republic (NCERT §5.1, p. 76, contextual).
- **Pre-1969 credit landscape:** the **All-India Rural Credit Survey 1954** found that moneylenders supplied over **70% of rural credit** at usurious interest rates (often 30–60% per annum) — a finding that motivated the bank nationalisation of 1969 and the Lead Bank Scheme of 1969–70 (NCERT §5.3, p. 77, contextual).
- **Bank nationalisation 1969:** 14 major commercial banks holding deposits over ₹50 crore were nationalised on 19 July 1969; six more in April 1980. Nationalisation drove the rural branch expansion that NCERT credits with reducing famine incidence and making credit accessible to the rural poor (NCERT §5.3, p. 78, contextual).
- **NABARD's mandate:** set up under the NABARD Act 1981 (operational 1982), its mandate covers refinance to RRBs and cooperatives, supervision of cooperative banks, and rural infrastructure financing through the Rural Infrastructure Development Fund (RIDF). NABARD's apex coordination role is explicitly noted by NCERT (NCERT §5.3, p. 78).
- **Indian data — agricultural credit growth:** institutional credit to agriculture rose from about ₹7 crore in 1951–52 to over ₹15 lakh crore by 2022–23 — illustrating the scale of post-NABARD institutional expansion (NCERT §5.3 contextual).

- **Indian data — milk production:** rose from about 17 million tonnes in 1951 to over 230 million tonnes in 2022–23 — making India the world's largest milk producer since 1998, surpassing the United States (NCERT §5.5, p. 84, contextual).
- **Indian data — foodgrain production:** rose from about 50 million tonnes in 1950–51 to over 330 million tonnes in 2022–23 — a six-fold rise driven by the Green Revolution (HYV seeds, irrigation, fertilisers) of the late 1960s and 1970s (NCERT §5.2, p. 77, contextual).
- **Indian data — horticulture output:** surpassed foodgrains around 2012–13; horticultural production now stands at over 350 million tonnes, with India world-leading in mangoes, bananas, coconuts, cashew and spices (NCERT §5.5, p. 85).
- **Indian data — fisheries:** total fish production rose from about 0.75 million tonnes in 1950–51 to over 16 million tonnes in 2022–23; India is now the world's third largest fish producer and second largest in aquaculture (NCERT §5.5, p. 84, contextual).
- **Operation Flood:** launched by the National Dairy Development Board (NDDB) in 1970 in three phases (1970–80, 1981–85, 1985–96); transformed India from a milk-deficit to milk-surplus economy through the "Anand pattern" of village cooperatives that pool milk by grade, process it at district unions, and market it through state federations (NCERT §5.5, p. 84, contextual).
- **Vergheese Kurien:** the architect of Operation Flood, popularly known as the "Father of the White Revolution"; founded Amul (Anand Milk Union Limited) in Gujarat — NCERT cites Gujarat as the success story (NCERT §5.5, p. 84, contextual).
- **Three farm laws of 2020:** (i) Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, (ii) Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, (iii) Essential Commodities (Amendment) Act. All three were repealed in November 2021 following sustained farmer protests — a recent fact CUET tracks (NCERT §5.4, p. 82).
- **MSP regime:** MSPs are announced for 23 crops based on Commission for Agricultural Costs and Prices (CACP) recommendations; wheat and rice MSPs are most actively enforced through FCI procurement — feeding the buffer stock that supports the PDS network of over 5 lakh fair price shops (NCERT §5.4, p. 81).
- **MGNREGA linkage:** Jan-Dhan accounts receive direct credit of MGNREGA wages — illustrating how rural credit (PMJDY), rural employment (MGNREGA) and direct benefit transfers form a single architecture of inclusive rural development (NCERT §5.3, p. 79).
- **Kudumbashree details:** Kerala's State Poverty Eradication Mission, launched 1997 (NCERT cites 1995); over 45 lakh women members organised in 3-tier structure (Neighbourhood Groups → Area Development Societies → Community Development Societies); widely recognised as the largest women-led poverty-eradication network in Asia (NCERT Box 5.1, p. 78).

- **TANWA details:** Tamil Nadu Women in Agriculture, late 1980s; trained women in vermicompost-making, organic pest control and improved cultivation — a precursor to today's farmer-producer organisations (FPOs) of women (NCERT Box 5.2, p. 81).

2.2 Definitions to memorise

Term	Definition	Page
Rural development	Comprehensive plan of action for development of rural areas lagging in socio-economic development	76
Social banking	Multi-agency approach to rural credit adopted in 1969, expanding the role of public sector banks	78
NABARD	National Bank for Agriculture and Rural Development, set up in 1982 as the apex body to coordinate institutions involved in rural financing	78
Regional Rural Banks (RRBs)	Banks set up to provide credit to rural areas alongside commercial banks and cooperatives	78
Self-Help Group (SHG)	Group that promotes thrift through small contributions, lending from pooled funds at reasonable interest rates (micro-credit)	78
Community Investment Support Fund (CISF)	₹2.5 lakh per SHG fund provided to expand income-generating activities	79
Micro-credit programme	Small-scale credit provision used for self-employment / income generation	79
Jan-Dhan Yojana	Scheme encouraging all adults to open bank accounts with no minimum balance, ₹1–2 lakh accidental insurance, ₹10,000 overdraft and direct transfer of government dues	79
Agricultural marketing	Process of assembling, storage, processing, transportation, packaging, grading and distribution of agricultural commodities	80
Regulated markets	Marketplaces where transactions occur under government oversight to ensure fair weighing, transparent prices and orderly trade	80
Minimum Support Price (MSP)	Assured price announced by the government to protect farmers' incomes	81
Buffer stock	Stocks of wheat and rice maintained by FCI for distribution through PDS at subsidised rates	81
Public Distribution System (PDS)	Network of fair-price shops that distributes essential commodities at subsidised prices	81
e-NAM	Electronic National Agriculture Market — Pan-India online portal launched in 2016 connecting mandis	81
Diversification		82

Term	Definition	Page
	(i) Change in cropping pattern, (ii) shift of workforce from agriculture to allied activities and non-agriculture	
Allied activities	Livestock, poultry, fisheries and similar non-crop activities undertaken by farm households	82
Operation Flood	Cooperative milk-pooling system where farmers' graded milk is processed and marketed through cooperatives, assuring a fair price	84
White Revolution	Popular name for the rise of milk production under Operation Flood	84
Golden Revolution	Period of growth in horticulture	85
Organic farming	A whole system of farming that restores, maintains and enhances ecological balance	86–87
Vermicompost	Manure prepared from biodegradable waste using earthworms; central to organic farming	87
SAGY	Saansad Adarsh Gram Yojana (Oct 2014) — MPs to develop model villages from their constituencies	86
Kisan Credit Card (KCC)	Short-term credit facility for cultivators to meet input expenses	79
Contract farming	Arrangement under which a buyer (often an MNC) contracts with farmers for production at agreed prices	82

2.3 Diagrams / processes to remember

- **Fig. 5.1 (p. 80)** — Regulated market yards benefit both farmers and consumers by ensuring transparent, orderly transactions.
- **Fig. 5.2 (p. 82)** — Jaggery making as an example of an allied activity of the farming sector.
- **Fig. 5.3 (p. 84)** — Sheep rearing as an important income-augmenting activity in rural areas.
- **Chart 5.1 (p. 83)** — Distribution of Poultry and Livestock in India, 2019; poultry accounts for the largest share (~61%).
- **Fig. 5.4 (p. 85)** — Poultry has the largest share of total livestock in India.
- **Fig. 5.5 (p. 85)** — Bee-keeping as an entrepreneurial activity for rural women.
- **Box 5.1 — Kudumbashree** (Kerala — Poor Women's Bank, 1995, largest informal bank in Asia).
- **Box 5.2 — TANWA** (Tamil Nadu Women in Agriculture, late 1980s, vermicompost training).
- **Box 5.3 — SAGY** (Oct 2014, village population norms).

- **Box 5.4 — Organic Food** (10% of food system organic in many countries; 10–100% price premium).
- **Box 5.5 — Organic Cotton in Maharashtra** (Kisan Mehta of Prakruti, 1995; AGRECO certification).
- **Rural-credit process flow:** pre-1969 moneylender dependence → social banking 1969 → NABARD 1982 → RRBs + cooperatives + commercial banks → SHGs and micro-credit → Jan-Dhan Yojana (financial inclusion).
- **Diversification flow:** crop-only farming → mixed crop-livestock → allied activities (poultry, fisheries, horticulture) → non-farm enterprise (agro-processing, tourism) → rural non-farm employment.

2.4 Common confusions / NTA trap points

- **NABARD year vs social banking year:** social banking — 1969; NABARD — 1982. NTA frequently swaps these.
- **Operation Flood vs Green Revolution vs Golden Revolution:** Operation Flood = milk (White Revolution); Green Revolution = food grains; Golden Revolution = horticulture.
- **Inland vs marine fisheries share:** inland ~75%; marine ~25%. Often inverted.
- **Horticulture share:** ~6% of GDP and one-third of value of agricultural output — students confuse the two figures.
- **Kudumbashree (Kerala, 1995) vs TANWA (Tamil Nadu, late 1980s):** easily swapped by state.
- **Apni Mandi vs Rythu Bazar vs Uzhavar Sandies vs Hadaspar Mandi:** Apni Mandi (Punjab/Haryana/Rajasthan), Rythu Bazars (AP/Telangana), Uzhavar Sandies (Tamil Nadu), Hadaspar Mandi (Pune).
- **Jan-Dhan benefits:** accidental insurance ₹1–2 lakh; overdraft ₹10,000. NTA mis-states the figures.
- **No minimum balance required** under Jan-Dhan — distractors often add a balance requirement.
- **Poultry share ~61% of total livestock** — not cattle, not goats.
- **Organic produce has MORE blemishes and SHORTER shelf life** — not the reverse.
- **SHGs lend WITHOUT collateral;** formal credit requires collateral.
- **e-NAM launched 2016** — not 2014 (which is SAGY).
- **Three farm laws passed in 2020 and later repealed** — both facts are important.

Practice MCQs

Q1. In which year was NABARD set up as the apex body to coordinate institutions involved in rural financing?

- A. 1969
- B. 1975
- C. 1982
- D. 1991

Q2. Consider the following statements about SHGs: I. SHGs promote thrift in small proportions through a minimum contribution from each member. II. By May 2019, nearly 6 crore women had become members of 54 lakh women SHGs. III. Borrowings under SHGs are typically described as macro-credit programmes. IV. SHGs typically require substantial collateral from poor households.

- A. I and II only
- B. I, II and III only
- C. II and IV only
- D. I, III and IV only

Q3. Which of the following correctly lists the four government measures to improve agricultural marketing?

- A. Regulation of markets; physical infrastructure; cooperative marketing; policy instruments like MSP, buffer stocks and PDS
- B. Land reforms; cooperative banking; Operation Flood; PDS
- C. Green Revolution; Operation Flood; Golden Revolution; e-NAM
- D. NABARD; SHGs; Jan-Dhan Yojana; e-NAM

 **9 more MCQs + answer key**

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PYQ Alignment

This chapter is a CUET evergreen — questions tend to be one-line factual recalls (NABARD year, Operation Flood, inland vs marine fish share, Kudumbashree state, percentage of poultry in livestock, e-NAM year) and matching items (alternate marketing channels with their states, schemes with their year). Statement-based MCQs on SHGs, Jan-Dhan Yojana, and benefits/limitations of organic farming are also very frequent. See [previous CUET PYQs on this chapter](#).

