

CONTEMPORARY CHALLENGES OF RURAL DEVELOPMENT

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Introduction

Rural economy constitutes 46 per cent of national income. Despite the rise of urbanisation more than half of India's population is projected to be rural by 2050. Thus growth and development of rural economy and population is a key to overall growth and inclusive development of the country. The term rural development is a subset of the broader term "Development". However, we define it; development is a universally cherished goal of individuals, families, communities and nations all over the world. **According to World Bank** rural development is a strategy designed to improve the economic and social life of a specific group of people by extending the benefits of development to the poorest among those who seek livelihood in the rural areas. **According to National Commission on Agriculture** rural development means development of an area and the people through optimum development and utilization of local resources by bringing about necessary institutions, structures and attitudinal changes and by delivering package of services to improve all fields of the rural poor and rural weak.

Challenges of rural development

Traditional challenges are those which the rural areas have been facing for a long time. Rural credit and agricultural marketing are examples of traditional challenges. Modern challenges are those which the rural areas face with the changing times. Diversification of agricultural activities and problems related to organic farming are examples of modern challenges. Unsustainable land use practices, deforestation, water pollution, and depletion of natural resources threaten the environmental sustainability of rural areas. Climate change exacerbates these challenges, leading to erratic weather patterns, natural disasters, and agricultural vulnerabilities.

Key issues of Rural Development

1. Poverty

Poverty in India is a complex and multifaceted issue influenced by a combination of historical, economic, social and political factors. Amartya Sen, the Nobel laureate economist, has highlighted the importance of addressing social inequalities and investing in education and health care to combat poverty in India and sustain economic development. World Bank report reveals that India experienced a significant decline in the poverty from 22.5 per cent in 2011 to 10.2 per cent in 2019. Bank report also states that, rural poverty declined from 26.3 per cent in 2011 to 11.6 per cent in 2019 and urban poverty declined from 14.2 per cent to 6.3 per cent in the same period. Historical factors like exploitative colonial rule, low agricultural productivity, size of population, economic inequality, social inequalities etc., are the reasons for the poverty in India.

2. Infrastructure deficit

Poor infrastructure, including roads, electricity, and telecommunications, hampers connectivity and impedes economic growth in rural areas. Inadequate transportation infrastructure restricts market access for farmers, while unreliable power supply inhibits industrial development and entrepreneurship.

3. Limited access to basic services

Rural communities often lack access to essential services such as healthcare, education, clean water, and sanitation. Remote geographical locations, inadequate infrastructure, and resource constraints contribute to this disparity, depriving rural residents of their fundamental rights and impeding socio-economic development.

4. Social inequality and marginalization

Caste-based discrimination, gender disparities, and exclusion of marginalized communities hinder social cohesion and equitable development in rural India. Empowering marginalized groups, promoting gender equality, and fostering inclusive governance structures are essential for addressing these systemic challenges.

5. Employment

Unemployment is a big issue in India, especially in rural areas. Youth is migrating to urban areas to find jobs while the aged remain in rural areas. The amount of agricultural land is the same but the population is growing. With the increase in agriculture technology, we have seen a decreased rate of employment in the past few years. According to the latest data from the **Centre for Monitoring Indian Economy (CMIE)**, the unemployment rate in India stood at 7.8 per cent in September 2024, a decline from 8.5 per cent in August 2024. The labour participation rate fell from 41.6 per cent to 41.0 per cent and the unemployment rate fell from 38 per cent in August to 37.8 per cent in September 2024. The rural economy is an integral part of the overall Indian economy. As majority of the poor reside in rural areas, the prime goal of rural development is to improve the quality of the life of the rural people by alleviating poverty through the instruments of self-employment and wage employment programmes, by providing community infrastructure facilities such as drinking water, electricity, road connectivity, health facilities, rural housing and education, promoting decentralisation of powers to strengthen the Panchayati Raj institution etc.

6. **Education/Literacy**

Education is a core sector for achieving the objective of employment, human resource development and bringing about much needed change in social environment, leading to overall progress through efficient use of resources. An appropriate education system cultivates knowledge, skill, positive attitude, awareness and sense of responsibility towards

7. **Migration to urban areas**

Migration from rural to urban areas has a huge impact on the society, the standards of living and the environment. The push factors that compel people to move out of villages include poverty and lack of basic amenities. Factors that attract people to cities include more work opportunities, higher wages, better living conditions, better healthcare and educational services in cities, more job opportunities, better governance and amenities.

8. **Agricultural distress**

Farmers continue to face challenges related to low productivity, market volatility, and inadequate access to credit and technology. Agriculture distress refers to low crop yields, fluctuating agricultural produce prices, high input costs, indebtedness, and a lack of access to credit experienced by the farmers. The main reason for farm crises is the rising pressure of population on farming and land assets. The small and marginal land holdings are a major

limitation to reaping the benefits of economies of scale. Since small and marginal farmers have little marketable surplus, they are left with low bargaining power and no say over prices.

9. **Impact of climate change**

Climate change can lead to changes in weather patterns, such as increased frequency and intensity of extreme weather events like droughts, floods, and storms. These changes can affect soil fertility, crop yields and livestock production, leading to reduced productivity and income for farmers. Farmers may need to invest more in pest and disease management practices, which can increase their costs and reduce their profits. Heat waves can cause heat stress in crops, which affects the yield especially when they occur during pollination, pod or fruit set. Climate change can lead to water scarcity in some regions which can affect irrigation and reduce yield. Farmers may be forced to rely on rain-fed agriculture, which can be more unpredictable and vulnerable to the effects of climate change.

10. **Connectivity**

Roads, transport, and mobile communication play an important role in rural development. It connects the people of rural areas to the outside world. In India, many poor communities are isolated due to bad road conditions, inadequate transport, and lack of mobile communication services. Rural roads constitute 71.4 per cent of India's total road network, amounting to over 4.5 million kilometres as of March 2019. Pradhan Mantri Gram Sadak Yojna (PMGSY-I) was launched in the year 2000 as a one-time special intervention to provide rural connectivity, by way of a single all-weather road, to the eligible unconnected habitations of designated population as per Census 2001.

11. **Electricity and water supplies**

Progress report of village electrification of 2015 shows that around 19,909 villages are not electrified yet. Even the villages that are electrified are not getting quality power and estimation shows that 33 per cent of villages are under electrification. They only have access to less than 50kWh of electricity per month.

Water causes a majority of health diseases. Inadequate or impure water supply is an issue in most rural areas these days. The number of Indians affected by water-borne disease every year is 37.7 million. The death toll is also very high; approximately 1.5 million children die due to diarrhea alone each year. The Indian government spends around \$600 million on

health services in rural areas for waterborne disease. Pure water is a necessity and it must reach the people of rural areas.

Opportunities in Rural Development

Despite these challenges, rural development presents numerous opportunities for transformation and growth. With the right strategies and investments, rural areas can become vibrant centres of economic activity and social progress.

1. Technological advancements

Technology has the potential to revolutionize rural development. Innovations such as precision agriculture, mobile banking, and telemedicine can address many of the challenges faced by rural communities. For instance, precision farming techniques improve crop yields by optimizing resource use, while mobile banking provides financial services to remote areas, fostering economic inclusion.

2. Renewable energy solutions

Renewable energy offers a sustainable way to address the energy needs of rural areas. Solar panels, wind turbines, and bio energy systems can provide electricity to communities that are not connected to the national grid. These solutions not only improve the quality of life but also create opportunities for local entrepreneurship and job creation.

3. Community led development

Empowering local communities to take charge of their development fosters a sense of ownership and accountability. Community-led initiatives, such as cooperatives and self-help groups, can mobilize resources and implement projects tailored to the specific needs of rural populations. For example, women's self-help groups in India have been instrumental in improving livelihoods and promoting financial literacy.

4. Government and private sector partnerships

Public-private partnerships (PPPs) can play a crucial role in rural development by combining

the strengths of both sectors. Governments provide the regulatory framework and funding, while private enterprises contribute expertise, innovation, and efficiency. Successful PPPs have been seen in areas such as infrastructure development, skill training, and healthcare delivery.

5. Sustainable agriculture practices

Sustainable agriculture is key to addressing food security and environmental challenges in rural areas. Practices such as organic farming, agroforestry, and crop diversification not only enhance productivity but also protect the environment. Investments in irrigation, storage facilities, and market access further strengthen the agricultural sector.

6. Education and skill development

Improving access to quality education and vocational training is essential for empowering rural populations. Skill development programs tailored to local needs can create a skilled workforce capable of driving economic growth. For example, training in crafts, food processing, and renewable energy technologies can generate employment and entrepreneurship opportunities.

7. Ecotourism and cultural preservation

Rural areas often have unique natural landscapes and cultural heritage that can be leveraged for ecotourism. Ecotourism not only provides economic benefits but also raises awareness about environmental conservation and cultural preservation. Developing eco-friendly tourism infrastructure creates jobs and generates income for local communities.

Technology and Rural Development

Technological up-gradation and inclusive growth have been focal development points in rural India. Higher and better productivity, socio-economic equality, harmonizing modern technology, and sustainable growth can be considered the pillars for a nation's progress. The Government of India has rolled out schemes from education to financial literacy and agritech to skill development that caters to nearly 900 mn people living in rural regions. It is admirable to see that the central and state governments are united with a vision for the

betterment of rural India. Digital literacy and connectivity have strengthened the labour market and provided a platform to educate and become financially independent. Enhanced innovation has helped the rural areas improve their growth prospects, and the policymakers support reforms beyond subsidies and sector-specific approaches.

Financial Inclusion

The economic development of a country relies heavily on the accessibility of the citizens to various financial goods and services. This has been a significant focus area for the government. Over the last few years, on account of the persisting covid-19 pandemic, the financial inclusivity in the country has gained pace. Technological efforts and innovations have played a significant role in this regard. **Modern information and communication technology (ICT)** has acted as a catalyst in establishing a platform that extends financial goods and services, even to remote and marginalised regions and individuals. These efforts have also helped commercial banks reduce their cost, increasing customer reachability and efficient management of risk in businesses.

There exist several efforts of the Government of India to utilise a technology's potential to harness financial inclusion in rural areas. For instance, the **Direct Benefit Transfer (DBT)** programme, launched by the Government of India, aims at initiating a direct transfer of benefits across the country. This platform, accompanied by the unique Aadhaar ID programme, has eliminated duplications and frauds. The platform has further been instrumental in increasing transparency and accountability in financial transactions, including benefit transfers to pension owners and other beneficiaries of various schemes. **The PM Jan Dhan Yojana scheme (PMJDY)** has made significant strides in channelling all government benefits from the centre, state and local bodies to the beneficiary accounts and furthering the Direct Benefit Transfer (DBT) scheme of the government. For instance, overall, around INR 21 lakh crore has been disbursed via DBT to the underprivileged.

Additionally, under **PM Garib Kalyan Yojana**, around 8 crore of PMJDY account holders have received direct benefit transfer (DBT) from the government under various welfare schemes across the several waves of the pandemic. Evidence suggests an established link between the DBTs and a reduction in women's financial dependence. Ensuring that women have control over their bank accounts, can transform women's labour force participation, financial independence, bargaining power and overall economic decisions. Through DBT their wages, benefits and remittances can be transferred directly to their accounts, rather than

into a joint account or into the accounts of their male family members. Secondly, the initiation of the **Bharat Interface for Money (BHIM)** app has aimed at facilitating the growth of the cashless economy in the country. The app merely requires the consumers to link their bank accounts with the mobile application and exploit direct transactions to their vendors or merchants. The BHIM users can also use QR codes, mobile numbers, and **Virtual Payment Addresses (VPA)** to facilitate the payment. For opening up a BHIM account, customers are required to have a Smartphone, a cell number registered to a bank account, and a RuPay, Visa or Maestro card. This helps to ensure that citizens in tier 2 and 3 cities, along with rural areas, can opt for UPI-based transactions. Moreover, the BHIM app also functions efficiently offline, addressing the challenges of poor internet connections and the inaccessibility of smart mobile phones.

Sustainable Future for Agriculture

The challenges faced by the agriculture sector in India include declining contribution to GDP and stagnant employment. After economic reforms of 1991, the agriculture sector's growth rate slowed to around 3 percent per year from 1991 to 2012 in the context of Rural Development in India, a rate lower than in previous years. Agriculture sector has experienced volatility, with the GVA growth rate in 2014-15 being less than one percent. Contributing factors to decline in Indian agriculture sector includes reduced public investment, inadequate infrastructure, limited non-farm employment opportunities, and increased casualization of labour. In this context, a critical examination of rural development aspects, including credit and marketing systems, agricultural diversification, and the role of organic farming in promoting sustainable development, is necessary.

Banking for Sustainable Agricultural Growth

The availability of credit facilities and efficient marketing mechanisms play a crucial role in Rural Development in India, contributing significantly to the overall economic growth of rural areas. The rural economy's growth depends significantly on capital infusion to enhance productivity in both agricultural and non-agricultural sectors. Farmers often need to borrow funds to cover initial investments, such as seeds, fertilizers, equipment, and various family expenses in the context of Rural Development in India, especially considering the lengthy-time period between crop sowing and income realization after production.

Emergence of Formal Banking Centres

Historically, at the time of India's independence, moneylenders and traders exploited small farmers, marginal farmers, and landless labourers by offering loans at high-interest rates and manipulating accounts to keep them in a debt trap. However, a significant shift occurred in 1969 when India adopted social banking and a multi-agency approach to meet rural credit needs. Subsequently, the National Bank for Agriculture and Rural Development (NABARD) was established in 1982 to coordinate the activities of all institutions involved in rural financing. Green revolution played a pivotal role in reshaping the credit system by diversifying the rural credit portfolio toward production-oriented lending. Today's institutional structure for rural banking includes various multi-agency institutions such as commercial banks, regional rural banks (RRBs), cooperatives, and land development banks. These institutions are expected to provide adequate credit at more affordable interest rates.

Government Initiatives in Agricultural Marketing

Four key measures were introduced to enhance agricultural marketing, shaping the landscape of Rural Development in India:

a. Market Regulation

Government-regulated markets to ensure transparency and fair conditions, benefiting farmers and consumers. However, more rural periodic markets need development.

b. Infrastructure Development

Investment in physical infrastructure like roads, warehouses, and cold storage is crucial due to the current inadequacies.

c. Cooperative Marketing

Cooperative marketing initiatives aimed to secure fair prices for farmers' products, with the success of milk cooperatives serving as a notable example. Challenges include insufficient farmer participation and inefficient financial management.

d. Policy Instruments

Policy instruments like minimum support prices (MSP), buffer stocks, and public distribution systems (PDS) were implemented to safeguard farmers' income and provide subsidized food to the poor. Despite these measures, private trade still dominates agricultural markets.

Technology for Rural Development

A number of ICTs (Information Communication Technology) applications allow citizens of rural regions to enjoy access to those basic services that are necessary for the improvement of the quality of their life, decreasing thus inequality in access to services between rural and urban population.

E-Health services

Distant, non-stop medical support of rural population is of importance, especially for the elderly or disabled groups, mainly due to the limited access of rural regions to sufficient health services. ICTs are offering a great potential in this respect and a great progress can be marked in the field of e-health applications. In-house video-phone equipment allows direct communication of rural citizens with properly equipped health centres, where they can send video information and receive care support from specialized staff. This staff can monitor citizens' health via ICTs equipment and properly intervene in case of critical incidents. Portable devices (e.g. cell phones) can also be used, which enable population to be real-time monitored by specialized health centres. Moreover, e-health applications can also be used for both disease management and prevention.

E-Learning services based on ICTs

E-Learning services Aims at reducing barriers to the access of rural population to education / training services. E-Learning applications are quite useful both at the educational level (school) and the community level. At the educational level they can provide an e-learning platform that supports the teacher's work, the student's work, the group work e.g. access to remote laboratories for experimental work. Moreover, they increase familiarization of young people and development of skills in ICTs. At the community level, each individual has the possibility to use on-line learning services (e-courses) offered by various providers (companies, universities, private and public institutions, etc.), developing thus new skills and competencies that lead to personal empowerment and increase of skills and knowledge of employees in rural regions, adding value to labour productivity and competitiveness.

E-Culture

ICTs applications are offering rural population access to museums, cultural events etc. These are interesting applications, especially for young people in remote rural regions, keeping them on-line with exceptional cultural assets and events all over the world. An interesting

application of e-culture has, among others, taken place in the rural region of Kastelli-Crete, in the context of the EU project Rural Wings, addressed to students of primary or secondary school

E-banking

Improving access to financial services is vital for rural regions, especially the more remote ones. E-banking and m-banking applications can revolutionize the provision of formal services of the banking sector, offering new cost-effective ways of delivering traditional services, with huge benefits for users.

M-banking

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Role of NGOs and SHGs

Volunteer social care has been part of our society's culture and religion since the dawn of humanity. Economic growth would be accelerated if noneconomic elements like education, health, and food security were improved in order to raise human capacity. An NGO's position is both supportive and supportive of the state. In rural areas, the establishment of non-governmental organisations (NGOs) is more important because of the deterioration of living circumstances. All social issues cannot be solved by state-NGO collaboration alone; thus, it must be coordinated with the state, local self-governments and corporations, as well as academics and civil society organisations. In order to improve local self-government, non-governmental organisations (NGOs) can play an important role in facilitating and coordinating with state agencies, as well as acting as catalysts to efficiently execute different state programmes.

Conclusion

The growth and development of rural economy and population is a key to overall growth and inclusive development of the country. Development is a universally cherished goal of individuals, families, communities and nations all over the world. Traditional challenges are

those which the rural areas have been facing for a long time. Rural credit and agricultural marketing are examples of traditional challenges. Modern challenges are those which the rural areas face with the changing times. Diversification of agricultural activities and problems related to organic farming are examples of modern challenges. Unsustainable land use practices, deforestation, water pollution, and depletion of natural resources threaten the environmental sustainability of rural areas. Climate change exacerbates these challenges, leading to erratic weather patterns, natural disasters, and agricultural vulnerabilities. Technological up-gradation and inclusive growth have been focal development points in rural India. Higher and better productivity, socio-economic equality, harmonizing modern technology, and sustainable growth can be considered the pillars for a nation's progress. Non-governmental organisations (NGOs) can play an important role in facilitating and coordinating with state agencies, as well as acting as catalysts to efficiently execute different state programmes. Supplementing government efforts to help the poor and needy in rural regions may be an important function for non-profit organisations.

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