



CAIIB Module-A

CAIIB Rural Banking



CAIIB Rural Banking Module A- Rural India

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CAIIB Rural Banking Module A Unit 1-Demographic Features

Population

- The second most populous country on earth, **India, accounts for more than 17 per cent of world population with meagre 2.4 per cent of the world geographical area.**
- The state-wise population distribution, as per the last census 2011, indicates that **Uttar Pradesh continues to be the most populous state, with about 200 million people.** States of Maharashtra and Bihar have made the transition to more than 100 million population category.
- As per the **United Nations estimates, World population grew at annual rate of 1.23 per cent during 2000-2010, with developing countries like India, registering a higher growth rate of 1.30%. {2011}.**
- **Population Pyramids** represent complex changes in age structure of the population. In developed countries, the shape is almost cylindrical instead of a pyramid because of the high life expectancy, low fertility and relatively low population in reproductive age group.
- Population of most of the developing countries, including India, consists of large proportions of children and persons in reproductive age group.
- **Sex ratio (number of females per thousand male), as per the 2011 census is 943. Much lower sex ratio of about 919 in case of 0-6 age group** as revealed by census, shows preferences of male child is still prevalent, in a large part of the society. Lowest sex ratio was noticed in Haryana (877). Among the UTs, the lowest sex ratio has been recorded in Daman & Diu (618). India currently in stage three of demographic transition.

Literacy

- Literacy is the ability to read, write and comprehend information, in order to communicate effectively. In India, while the adult literacy rate is measured for people aged above 15 years, the rate of youth literacy is measured for people aged between 15-24 years. Literacy rate is calculated by dividing the number of literates of a given age range by the corresponding age group population and multiply the result by 100.
- **India managed to achieve a literacy rate of 74.04 per cent in 2011** as compared to 64.80 per cent in 2001. While the **female literacy rate** in India as per Census 2001 was 53.7 per cent, the Census 2011 **recorded it at 65.5 per cent.**
- The Constitution of India recognizes the importance of education for all. Therefore, it lays down several provisions to ensure proper and effective implementation of educational rights in the country.

These provisions include:

- **Education of Minorities:** Article 30 of the Indian Constitution gives all minorities, the right to establish and administer institutions of their own choice.
- **Free and Compulsory Education:** The Constitution of India struts the state to ensure that all citizens receive free education.
- **Equality of Opportunity in Educational Institutions:** The fundamental right of equality clearly signifies that in the eyes of law, no one can be discriminated on the basis of status, caste, sex, class or creed. Article 21 (A) of the Constitution of India was amended to provide free and compulsory education as a fundamental right to all children aged between 6 and 14 years.

Education of Weaker Sections: Article 15, 17, and 46 of the Indian Constitution safeguard the educational interests of weaker sections of the society. These comprise socially, economically, and educationally backward families including those belonging to the scheduled castes (SCs), and the scheduled tribes (STs).

The following measures have been taken by the Government to improve literacy standards in India.

- The government conducts various scholarship examinations and provides school uniform, textbooks and stationery, in order to encourage students and adults to take up studying.
- **The Mid-Day Meal Scheme** was launched by the government in 1995, to provide students free food so as to improve enrolment, attendance, and retention in government schools.
- **Samagra Shiksha Program** was launched by the government with the broader goal of improving school effectiveness. This will be measured in terms of equal opportunities for schooling and equitable learning outcomes.
- Awareness campaigns were launched in rural areas to create perception among people about the importance of education. They were encouraged to attend and send their children to schools.

Sixth Economic Census

- **The Central Statistics Office, GOI**, since its inception, has been instrumental in creation of database for various sectors of the economy and its periodic updation.
- The Sixth Economic Census was conducted during the period January, 2013- April, 2014 in all the States and Union Territories of the country.
- As per the results of the Sixth Economic Census, there are 58.50 million establishments in the country, engaged in different economic activities. Out of which, 34.80 million establishments (59.48 per cent) are in the rural areas and 23.70 million establishments (40.52 per cent) in the urban areas. Five states viz. Uttar Pradesh (11.43 per cent), Maharashtra (10.49 per cent), West Bengal (10.10 per cent), Tamil Nadu (8.60 per cent) and Andhra Pradesh (7.25 per cent), together accounted for about 50 per cent of the total establishments in the country.

Employment

- **About 131.29 million persons – 67.89 million (51.71%) in rural areas and 63.40 million (48.29 per cent) in urban areas**, were reported to be employed in the establishments, as per the census. Among the agricultural activities, the maximum employment was found to be under the 'livestock' sector, with 19.42 million workers, constituting 84.86 per cent of the total employment in the agricultural sector.
- Agricultural Establishments including agriculture, livestock, forestry and fishery play a vital role in the Indian economy. As per estimates of the Central Statistics Office (CSO), its share was 16.3 per cent of the Gross Value Added (GVA), during 2020-21.
- It is revealed that Gujarat had the maximum number of agricultural establishments (1.75 million) constituting 13.36 per cent of all agricultural establishments in the country.

Agriculture Census

The highlights of the All India Report on Agriculture Census 2015-16:

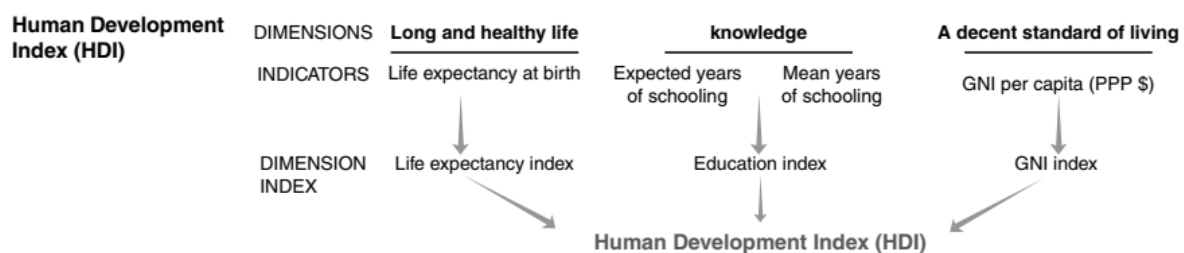
- The total number of operational holdings in the country has increased from 138.35 million in 2010- 11 to 146.45 million in 2015-16, showing an increase of 5.86 per cent.
- The total operated area in the country has decreased from 159.59 million ha. in 2010-11 to 157.82 million ha. in 2015-16, showing a decrease of 1.11 per cent.
- The average size of operational holdings has declined to 1.08 ha. in 2015-16, as compared to 1.15 in 2010-11.
- The percentage share of female operational holders has increased from 12.79 per cent in 2010-11 to 13.96 per cent in 2015-16.
- The percentage share of wholly owned and self- operated holdings in total operational holdings has remained static at about 98 per cent, in 2010-11 and 2015-16.

- The number of wholly leased-in holdings was estimated at 5.31 lakh (0.36 per cent) in 2015-16 and was highest in marginal category (4.54 lakh). Among the states, the highest share of wholly leased holdings in total operational holdings was observed in the state of Odisha (5.82 per cent)
- The Gross cropped area has decreased marginally from 193.76 million hectare in 2020-11 to 191.76 million hectares in 2015-16. Among major states, Uttar Pradesh had the highest share.
- The percentage share of net sown area in operated area has increased marginally from 88.5 per cent in 2010-11 to 88.7 per cent in 2015-16.
- The cropping intensity has remained static at 1.37 during 2015-16 and 2010-11. Among the states, Punjab recorded the highest cropping intensity of 1.97, while Mizoram recorded the lowest cropping intensity of 1.00.

Socio Economic Development Indicators

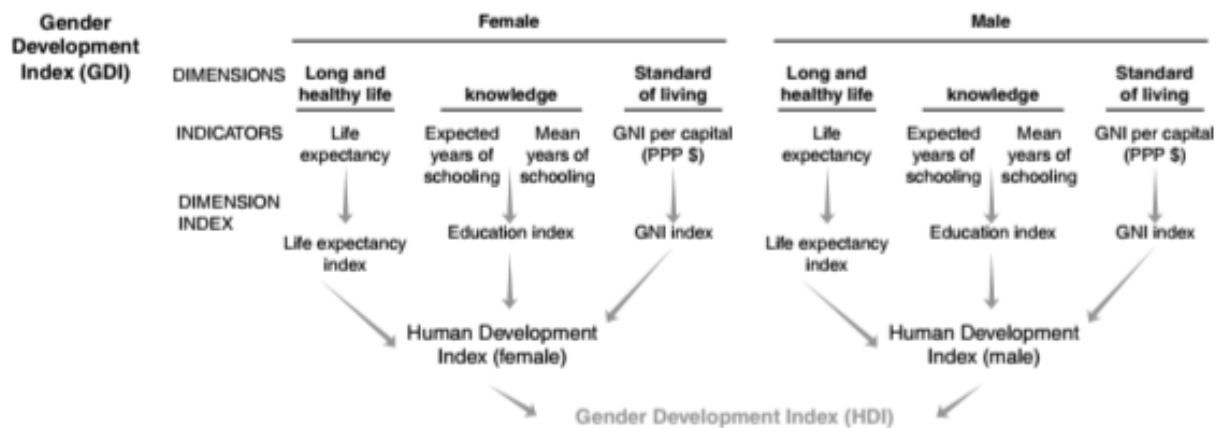
Human Development Index

- The Human Development Index (HDI), is a summary measure of average achievement in key dimensions of human development- **a long and healthy life, being knowledgeable and have a decent standard of living**. The HDI is the geometric mean of normalized indices for each of the three dimensions.
- **HDI was developed by Mahbub ul Haq** and was further used to measure a country's development by the **United Nations Development Program (UNDP)'s Human Development Report Office (HDRO)**.
- **The health dimension is assessed by life expectancy at birth and the education dimension is measured by mean of years of schooling for adults aged 25 years and more and expected years of schooling for children of school entering age. The standard of living dimension is measured by gross national income per capita.**
- HDI does not reflect on inequalities, poverty, human security, empowerment, etc. As per UNDP, India was ranked 131 out of 189 countries in the HDI Index Ranking 2020.



Gender Development Index

- The GDI measures gender gaps in human development achievements by accounting for disparities between women and men in three basic dimensions of human development—health, knowledge and living standards, using the same component indicators as in the HDI. The GDI is the ratio of the HDIs calculated separately for females and males using the same methodology as in the HDI.



Health

According to the **National Health Profile -2019**, released recently by GOI, **life expectancy in India** has increased from 49.7 years in 1970-75 to 68.7 years in 2012-16. For the same period, the **life expectancy for females** is 70.2 years and 67.4 years for males. The **infant mortality rate** has declined considerably (33 per 1,000 live births in 2016), however differentials of rural (37) & urban (23) are still high.

Under the National Health Mission, GOI has launched several schemes and implementing them in coordination with the State Governments, for improving the health services to the population:

- Reproductive, Maternal, Newborn, Child and Adolescent Health (RMNCH+A) program** essentially looks to address the major causes of mortality among women and children as well as the delays in accessing and utilizing health care and services. It also introduces new initiatives like the use of Score Card to track health performance, National Iron + Initiative to address the issue of anemia, across all age groups and the Comprehensive Screening and Early interventions for defects at birth, diseases, and deficiencies among children and adolescents.
- Rashtriya Bal Swasthya Karyakram (RBSK)**: is an important initiative aiming at early identification and early intervention for children from birth to 18 years, to cover 4 'D's viz. Defects at birth, Deficiencies, Diseases, Development delays including disability.
- Rashtriya Kishor Swasthya Karyakram**: The key principle of this program is adolescent participation and leadership, Equity and inclusion, Gender Equity and strategic partnerships with other sectors and stakeholders.
- GOI has launched **Janani Shishu Suraksha Karyakaram**, to motivate those who still choose to deliver at their homes to opt for institutional deliveries. It is an initiative with a hope that states would come forward and ensure that benefits

under JSSK would reach every needy pregnant woman coming to government institutional facility.

- **National AIDS Control Organization** was set up so that every person living with HIV has access to quality care and is treated with dignity.
- **National TB Control Program** is a state-run tuberculosis control initiative of Government of India with a vision of achieving a TB free India. The program provides, free of cost/quality tuberculosis diagnosis and treatment services across the country through the government health system.
- **National Leprosy Eradication Program** was initiated by the government, for early detection of the disease, through active surveillance by the trained health workers and to provide appropriate medical rehabilitation and leprosy ulcer care services.
- The Government of India has launched **Mission Indra Dhanush**, with the aim of improving coverage of immunization in the country. It aimed to achieve at least 90 percent immunization coverage by December 2018, which was proposed to cover unvaccinated and partially vaccinated children in rural and urban areas of India.
- **Pulse Polio** is an immunization campaign established by the government of India to eliminate polio in India, by vaccinating all children, under the age of five years, against the polio virus.
- **The Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)** was announced with objectives of correcting regional imbalances in the availability of affordable/reliable tertiary healthcare services and also to augment facilities for quality medical education in the country.
- **Rashtriya Arogya Nidhi**, which provides financial assistance to the patients that are below poverty line and are suffering from life-threatening diseases, to receive medical treatment at any government run super specialty hospital/ institution.
- **National Tobacco Control Program** was launched with the objective to bring about greater awareness about the harmful effects of tobacco use and about the Tobacco Control Laws and to facilitate the effective implementation of the Tobacco Control Laws.
- **Integrated Child Development Service** launched to improve the nutrition and health status of children in the age group of 0-6 years, laid the foundation for proper psychological, physical and social development of the child, and to enhance the capability of the mother to look after the normal health and nutrition needs, through proper nutrition and health education.
- **Rashtriya Swasthya Bima Yojana** is a government-run health insurance program for the Indian poor. It aims to provide health insurance coverage to the unrecognized sector workers belonging to the below poverty line and their family members shall be beneficiaries under this scheme.

Education

- **The 86th constitutional amendment** made elementary education a fundamental right for the children between the age group of 6 to 14. In order to develop the higher education system, the government had established the

University Grants Commission in 1953. The primary role of UGC was to regulate the standard and spread of higher education in India.

- Under **Central Educational Institutions (Reservation in admission) Act 2006**, 7.5 per cent seats in the higher educational institutes are reserved for the scheduled tribes, 15 per cent for scheduled castes and 27 per cent for the non-creamy layers of the Other Backward Classes (OBCs). Some state Governments have tweaked the percentages to factor in local demographics, which constitution allows, e.g., in Tamil Nadu 18% is reserved for SC and 1% for ST. In Tribal dominated north east 60% seats are reserved for ST students.
- **Universalization of good quality basic education:** According to data put out by the Ministry of Human Resource Development (MHRD), the national drop-out rate at the primary level has reduced to 1.28 per cent in 2016, the drop out at the secondary level hovers around 17 per cent. 47 million young men and women dropped out of school by the 10th standard, according to the 2016 report published by UNESCO Institute for Statistics and Global Education Monitoring.

The following issues need to be examined

- ✓ Less than 40 per cent of Indian adolescents attend secondary schools
- ✓ Curriculum and teaching practices need upgradation in order to impart more relevant skills, such as critical and independent thinking
- ✓ Public-private partnerships need to be explored
- ✓ More vocational education is required to adequately prepare youth for current jobs.

Rural-urban Migration

According to a survey by UN State of the World Population report in 2007, by 2030, 40.76 per cent of country's population is expected to reside in urban areas. Increase in population in urban areas to some extent can be attributed to rural-urban migration.

Causes for Migration

Marriage, Employment, Education, Lack of Security, Push and Pull Factors

CAIIB Rural Banking Module A Unit 2- Characteristics Of Rural Society

Social Stratification

Rural Structure

- The rural structure is constituted by family, kinship, caste, power and religion. Divisions of labour and organic unity of the village, make it possible for everyone to perform the role assigned to them.
- This is expected to result in mutual help and co-operation. It has its own traditional mechanisms of conflict resolution and social mobilization.

Unit of Development

- The village is now recognized as a unit of development. The village is not a corporate group, but it has an identity, fixed limits (revenue and forest), village commons (Nistar land) and shared resources like, wells and tanks. It may also have temples, mosques, churches, and gurudwaras, open to all believers.

Caste Structure

- Each village has several Jati segments, which have separate ties, in some spheres. In respect of several traditional occupations, there is a system of attachment to village families, the payment for services being made in kind, or cash, or both. This system is called **Jajmani system**.

Traditional Panchayats

- Earlier, the village used to have two kinds of panchayats – **a Jati panchayat and a village panchayat**. In the village panchayats, elders from nearly all Jatis were represented. The sarpanch (i.e., headman) held office either on a hereditary basis or was elected by consensus. The Jati panchayats used to hear property and family disputes and the village panchayats disputes between two or more Jatis.
- Some states also had statutory judicial panchayats – **Nyaya Panchayats** – to administer cheap and speedy justice, in minor cases.

Factionalism

- Each faction is built, around one or more dominant individual and generally, enjoys the support of the family and kinship group. It is possible, however, for a kin group to be divided in its loyalty to different factions.
- A village may have two or three major factions, which have durability and which continue through several generations. There are also short – lived alliances, springing from a particular conflict or from some inter-related conflicts.

Dominance

- A pattern emerged in different regions by which some Jatis came to be dominant land owners – for example, the **Jats in the Punjab and Haryana; the Jats and the Rajputs in western Uttar Pradesh; the Bhumihars and Rajputs in Bihar; the Patidars in Gujarat, the Reddys, Velams and Kammas in Andhra Pradesh and the Vokkaligas and Lingayats in Karnataka.**

Local Institutions

Set up of Panchayat Raj Institutions

- A three-tier structure of the Indian administration for rural development is called Panchayati Raj. The aim of the Panchayati Raj is to develop local self-governments in districts, zones, and villages.
- Rural development is one of the main objectives of Panchayati Raj and this has been established in all states of India (except Nagaland, Meghalaya and Mizoram), in all Union Territories (except Delhi and certain other areas).

These areas include:

- ✓ The scheduled areas and the tribal areas in the states
- ✓ The hill area of Manipur for which a district council exists and
- ✓ Darjeeling district of West Bengal for which, Darjeeling Gorkha Hill Council exists.

Evolution of Panchayati Raj system

- In the pre-independence period, the panchayats were instruments for the dominance of the upper castes over the rest of the village, which furthered the divide, based on either the socio-economic status or the caste hierarchy.
- The evolution of the Panchayati Raj System, however, got a fillip, after the attainment of independence and after the enactment of the Constitution. The Constitution of India in Article 40 enjoined: "The state shall take steps to organize village panchayats and empower them with such powers and authority as may be necessary to enable them to function as units of self-government".

Committees on Panchayati Raj

Balwant Rai Mehta Committee (1957)	<p>Three-tier Panchayati Raj system: Gram Panchayat, Panchayat Samiti and Zila Parishad.</p> <p>Directly elected representatives to constitute the gram panchayat and indirectly elected representatives to constitute the Panchayat Samiti and Zila Parishad.</p> <p>Planning and development are the primary objectives of the Panchayati Raj system.</p> <p>Panchayat Samiti should be the executive body and Zila Parishad will act as the advisory and supervisory body.</p> <p>District Collector to be made the chairman of the Zila Parishad.</p> <p>It also requested for provisioning resources so as to help them discharge their duties and responsibilities.</p> <p>The Balwant Rai Mehta Committee further revitalized the development of panchayats in the country, the report recommended that the Panchayati raj institutions can play a substantial role in community development programs throughout the country. The objective of the Panchayats thus was the democratic decentralization through the effective participation of locals with the help of well-planned programs. Even the then Prime Minister of India, Pandit Jawaharlal Nehru, defended the panchayat system by saying, "... authority and power must be given to the people in the villages Let us give power to the panchayats."</p>
Ashok Mehta Committee (1977)	<p>The three-tier system should be replaced with a two-tier system: Zila Parishad (district level) and the Mandal Panchayat (a group of villages).</p> <p>District level as the first level of supervision after the state level.</p> <p>Zila Parishad should be the executive body and responsible for planning at the district level.</p> <p>The institutions (Zila Parishad and the Mandal Panchayat) to have compulsory taxation powers to mobilize their own financial resources.</p>

GVK Rao Committee (1985)	<p>Zila Parishad to be the most important body in the scheme of democratic decentralization. Zila Parishad to be the principal body to manage the developmental programs at the district level.</p> <p>The district and the lower levels of the Panchayati Raj system to be assigned with specific planning, implementation and monitoring of the rural developmental programs.</p> <p>Post of District Development Commissioner to be created. He will be the chief executive officer of the Zila Parishad.</p> <p>Elections to the levels of Panchayati Raj systems should be held regularly.</p>
L M Singhvi Committee (1986)	<p>The committee recommended that the Panchayati Raj systems should be constitutionally recognized. It also recommended constitutional provisions to recognize free and fair elections for the Panchayati Raj systems.</p> <p>The committee recommended reorganization of villages to make the gram panchayat more viable.</p> <p>It recommended that village panchayats should have more finances for their activities.</p> <p>Judicial tribunals to be set up in each state to adjudicate matters relating to the elections to the Panchayati Raj institutions and other matters relating to their functioning.</p>

Constitutional Amendment Act of 1992

- The Act added Part IX to the Constitution, “The Panchayats” and also added the Eleventh Schedule, which consists of the 29 functional items of the panchayats.
- Amendment Act provides shape to Article 40 of the Constitution, (directive principles of state policy), which directs the state to organize the village panchayats and provide them powers and authority so that they can function as self-government.
- With the Act, Panchayati Raj systems come under the purview of the justiciable part of the Constitution and mandates states to adopt the system. Further, the election process in the Panchayati Raj institutions will be held independent of the state government’s will.

Salient Features of Act

- **Gram Sabha:** Gram Sabha is the primary body of the Panchayati Raj system. It is a village assembly, consisting of all the registered voters, within the area of the panchayat. It will exercise powers and perform such functions as may be determined by the state legislature.
- **Three-tier system:** The Act provides for the establishment of the three-tier system of Panchayati Raj in the states (**village, intermediate and district level**). States with a population of less than 20 lakhs, may not constitute the intermediate level.
- **Election of members and chairperson:** The members to all the levels of the Panchayati Raj are elected directly and the chairpersons to the intermediate and the district level are elected indirectly from the elected members and at the village level, the Chairperson is elected, as determined by the state government.

Reservation of seats:

- ✓ **For SC and ST:** Reservation to be provided at all the three tiers, in accordance with their population percentage.

- ✓ **For women:** Not less than one-third of the total number of seats to be reserved for women; further, not less than one-third of the total number of offices for chairperson at all levels of the panchayat to be reserved for women.
- ✓ The state legislatures are also given the provision to decide on the reservation of seats in any level of panchayat or office of chairperson in favour of backward classes.

Duration of Panchayat:

- ✓ The Act provides for a five-year term of office to all the levels of the panchayat. But, fresh elections to constitute the new panchayat shall be completed, before the expiry of its five-year duration, in case of dissolution, before the expiry of a period of six months, from the date of its dissolution.

Disqualification:

A person shall be disqualified for being chosen as or for being a member of panchayat, if he is so disqualified -

- ✓ Under any law for the time being in force, for the purpose of elections to the legislature of the state concerned
- ✓ Under any law made by the state legislature.
- ✓ No person shall be disqualified on the ground that he is less than 25 years of age, if he has attained the age of 21 years

State election commission:

- ✓ The commission is responsible for superintendence, direction and control of the preparation of electoral rolls and conducting elections for the panchayat.

Powers and Functions:

Scheme may contain provisions related to Gram Panchayat work with respect to:

- ✓ The preparation of plans for economic development and social justice.
- ✓ The implementation of schemes for economic development and social justice as may be entrusted to them, including those in relation to the 29 matters listed in the Eleventh Schedule.

Finances: The state legislature may -

- ✓ Authorize a panchayat to levy, collect and appropriate taxes, duties, tolls and fees.
- ✓ Assign to a panchayat taxes, duties, tolls and fees levied and collected by the state government.
- ✓ Provide for making grants-in-aid to the panchayats from the consolidated fund of the state.
- ✓ Provide for the constitution of funds for crediting all money of the panchayats.

Bar to interference by courts:

The Act bars the courts from interfering in the electoral matters of panchayats.

Panchayats (Extension to Scheduled Areas) Act 1996 – PESA Act

The objectives of the PESA Act are as under:

- To extend the provisions of Part IX to the scheduled areas.
- To provide self-rule for the tribal population.
- To have village governance with participatory democracy.
- To evolve participatory governance consistent with the traditional practices.
- To preserve and safeguard traditions and customs of tribal population.
- To empower panchayats with powers conducive to tribal requirements.
- To prevent panchayats at a higher level from assuming powers and authority of panchayats at a lower level.

Zila Parishad – District Level Body

Functions and Powers of Zila Parishad

- It coordinates all the developmental activities of the Panchayats, such as minor irrigation works, vocational and industrial schools, village industries, sanitation, public health etc.
- It is responsible for giving proper advice to Gram Panchayats and Block Samitis and assist in their functioning
- It acts as a connecting link between state government and bodies at the lower level
- It overlooks the implementation of the Five-year plans
- It has power to do all acts necessary for or incidental to the carrying out of the functions entrusted or delegated to it
- It may, by resolution, delegate to Chief Executive Officer or any officer any of the powers conferred under the Act
- It has powers to impose penalty on any person who has disobeyed a general order passed by it
- It has powers to acquire, hold and dispose of property and to enter into contracts as required towards the development projects assigned to it by the Govt.

Finances: Panchayat Raj bodies receive funds from state Government in the form of grants. They can also earn by imposing taxes, tolls and fees on the commodities falling within their purview. Every five years the state Finance Commission reviews the financial position of panchayats and recommends principles governing distribution of taxes and grants-in-aid to Panchayat Raj bodies.

Rashtriya Gram Swaraj Abhiyan (RGSA)

- The Union Finance Minister in his budget speech for 2016-17, announced the launch of the new restructured scheme called Rashtriya Gram Swaraj Abhiyan (RGSA), for developing and strengthening the capacities of Panchayati Raj Institutions (PRIs) for rural local governance to become more responsive towards local development needs.
- **Enhance capacities and effectiveness of Panchayats and the Gram Sabhas**

- Enable democratic decision-making and accountability in Panchayats and promote people's participation
- Strengthen the institutional structure for knowledge creation and capacity building of Panchayats
- Promote devolution of powers and responsibilities to Panchayats according to the spirit of the Constitution and PESA Act
- Strengthen Gram Sabhas to function effectively as the basic forum of people's participation, transparency and accountability within the Panchayat system
- Create and strengthen democratic local self-government in areas where Panchayats do not exist
- Strengthen the constitutionally mandated framework on which Panchayats are founded.
- In the subsequent year i.e., 2017-18, GOI had announced to undertake a Mission Antyodaya to bring one crore households out of poverty, in order to make 50,000 Gram Panchayats poverty-free.

National Institute of Rural Development and Panchayati Raj core functions

- ✓ Organize training programs, conferences, seminars and workshops for senior level development managers, elected representatives, bankers, NGOs and other stakeholders.
- ✓ Undertake, aid, promote and coordinate research.
- ✓ Study the functioning of the Panchayati Raj Institutions and rural development programs across the States.
- ✓ Analyze and propose solutions to problems in planning and implementation of the programs for rural development.
- ✓ Develop content and disseminate information through periodicals, reports, e-modules and other publications.

CAIIB Rural Banking Module A Unit 3-Economic Features

Agriculture

- **Gross Value Added (GVA)** – the economic productivity Matrix that measures the contribution by the sector – by agriculture and allied activities registered a growth of 3.0 per cent in 2020-21, with record production of food grains.
- Agriculture and allied activities remain the major source of livelihood, for nearly half of the Indian population and as per Economic Survey 2020-21, the share of agriculture and allied sectors in GVA, at current prices, was at 17.8 per cent for 2019-20. The total food-grain production in 2020-21, as per the second advance estimates is 3033.4 lakh tons – 2.0 per cent higher than that in 2019-20.

- The production of horticulture crops during 2020-21 was a record at 3266 lakh tons – 1.8 per cent higher than the final estimate of 2019-20, surpassing the food grain production for the ninth consecutive year.

Non-Farm Activities

- Other activities which provide employment in rural areas could be broadly summarized under **Rural non-farm sector (RNFS)**, which includes all non-agricultural activities like mining & quarrying, household manufacturing, processing, repairs, construction, trade, transport and other services in villages and rural towns of up to 50,000 population.
- It is estimated that income from non-farm activities contributes between 25 and 35 per cent of the total income of the rural households.
- Services create 60 per cent of RNFS jobs, followed by manufacturing, construction and mining.
- The growth in agriculture sector provides more raw materials for processing and trading in the rural non-farm sector and also creates greater demand for inputs and services produced in RNFS.

Gross Domestic Product And Gross Value Added

- Major reforms undertaken during the past few years—inter alia, the introduction of the Goods and Services Tax (GST), the Insolvency and Bankruptcy Code (IBC), the monetary policy framework targeting inflation and the liberalization of the regime of Foreign Direct Investment (FDI)—have all aided the Indian economy, to achieve its current growth trajectory.
- With the announcement of multiple packages under the **Atma Nirbhar Bharat Mission**, economic activity started to gain traction in the second half of FY 2021. With the size of the economy at USD 2.9 trillion in 2019, India aims to become a US\$5 trillion economy, by 2024-25. Increased exports, industrial and agricultural production are in focus to attain this milestone.

Rural Money Markets – Formal And Informal

As per the 2011 Census, around 60 per cent of the population in India depends on agriculture for a living and the agriculture sector provides employment to 55 per cent of the work force. Farmers' credit needs are met by institutional (formal agencies) or non-institutional sources (informal agencies).

Formal Credit Institutions

- In India, the banking structure for the institutional credit in rural areas consists mainly of Commercial Banks, Regional Rural Banks and Cooperatives. The Commercial Banks have become highly rural-oriented since their nationalization in 1969.
- Small Finance Banks have started functioning in the recent period. These banks (numbering 12) have opened more than 4300 branches across the states.

- Even after substantial increase in the banking outlets, a significant population of the rural households borrow from moneylenders, as per the Indian Human Development Survey.
- According to the **All-India Debt and Investment Survey 2019, released recently, by the Ministry of Statistics and Program Implementation**, the enhanced institutional credit in the recent period has led to decrease in usury, in which, poor households are charged exorbitant interest rates on loans they get from the traditional moneylenders.

Non-Institutional or Informal Sources of Funding

- **Moneylenders:** Their mode of operations such as maintaining interpersonal relationship with the borrowers, informal approach, round the clock availability of finance, etc. made them important lenders in the villages. These informal credit providers extent loans against security of gold jewels, land documents, cultivation rights, promissory note and even against utensils.
- **Landlords:** Small farmers and tenant farmers depend upon landlords for their financial requirements. The interest rates are very high, many a time, leading to the farmer losing his land, unable to repay the debts.
- **Traders and Commission Agents:** Traders and commission agents provide credit during the growing season; the condition stipulated by them for lending is that the farmer should sell the produce to them at a specified price which is much lower than the market price. They also deduct commission and other charges, resulting in further reduction in price realization by the farmer. They are more active in case of commercial crops.
- **Relatives:** Farmers generally borrow from their relatives to tide over temporary requirements

The main problem with the non-institutional credit is the high cost of credit, uncertainty of securing the loan when the farmers are in need of them, availability of such resources for a shorter period of time, etc.

Rural Indebtedness

Rural indebtedness is drawing the attention of the policy makers for the last several years. **The expert group constituted by RBI headed by Prof Radhakrishna analyzed the rising agricultural indebtedness in the country in two dimensions -**

- ✓ **An agricultural crisis because of low growth and declining productivity; and**
- ✓ **An agrarian crisis characterized by the rural population's high dependence on farm income.**

For revamping the rural financial architecture, the group has recommended an expansion of the rural banking network, credit counselling, mobile banking, integrating microfinance with banking, and reforming the lead bank scheme.

RBI had set up a **committee on Medium-term Path on Financial Inclusion (CMPFI)** to devise a measurable and monitorable action plan for financial inclusion that

encompasses both households and small businesses. The committee had observed that farmers with small land holdings depend heavily on middlemen for selling their agricultural produce, thereby reducing their income, as a result of which the agrarian distress continues.

Rural Poverty

- The various estimates show that more than 200 million people are still poor. With such large number of people still remaining poor, eradication of poverty assumes tremendous importance and urgency.
- The incidence of poverty is measured by the **poverty ratio**, which is the **ratio of number of poor to the total population expressed as percentage**. It is also known as head-count ratio.
- There are **three components in the poverty line**: the food component, the normative level of expenditure for essential non-food items such as education, clothing, conveyance and house rent, and behaviourally determined expenditure for other non-food items.
- High population growth rate is one of the major reasons of poverty in India. This further leads to a high level of illiteracy, poor health care facilities and lack of access to financial resources.

Different Methods of Measuring Poverty Line

- **M Dandekar and N Rath (1971)**, made the first systematic assessment of poverty in India, based on National Sample Survey (NSS) data. This expert group was of the view that **poverty line must be derived from the expenditure that was adequate to provide 2250 calories, per day, in both rural and urban areas**.
- The task force headed by **Dr YK Alagh (1979)** constructed a **poverty line for rural and urban areas, on the basis of nutritional requirements and related consumption expenditure**. Poverty line was defined as the per capita consumption expenditure level to meet average per capita daily calorie requirement of 2400 kcal per capita per day in rural areas and 2100 kcal per capita per day in urban areas
- The findings of the **Lakdawala committee** were based on the idea that the baskets used to construct the Consumer Price Index-Industrial Workers (CPI-IW) and Consumer Price Index-Agricultural Laborers (CPI-AL) reflected the poor's consumption patterns.

The Expert group constituted by the Planning Commission and, chaired by **Suresh Tendulkar**, was constituted in 2009, to review methodology for poverty estimation. The Tendulkar group made the following recommendations

- ✓ **Shift from Calorie Consumption based Poverty Estimation:** It is based its calculations on the consumption of the items like cereal, pulses, milk, edible oil, non-vegetarian items, vegetables, fresh fruits, dry fruits, sugar, salt & spices, other food, intoxicants, fuel, clothing, footwear, education, medical (non-institutional and institutional), entertainment, personal & toilet goods

- ✓ **Uniform Poverty line Basket:** Tendulkar Committee computed new poverty lines for rural and urban areas of each state based on the uniform poverty line basket and found that all India poverty line (2004-05) was:

Rs. 446.68 per capita per month in rural areas

Rs. 578.80 per capita per month in urban areas

- ✓ **Private Expenditure:** Incorporation of private expenditure on health and education while estimating poverty.
- ✓ **Price Adjustment Procedure:** The Committee also recommended a new method of updating poverty lines, adjusting for changes in prices and patterns of consumption, using the consumption basket of people close to the poverty line.
- ✓ **Mixed Reference Period:** The Committee recommended using Mixed Reference Period based estimates, as opposed to the Uniform Reference Period based estimates that were used in earlier methods for estimating poverty.

Tendulkar committee computed poverty lines for 2004-05 at a level that was equivalent, in Purchasing Power Parity (PPP) terms to Rs. 33 per day.

- **Dr. Rangarajan Committee** was set up in 2012. The Rangarajan committee estimation is based on an independent large survey of households by **Center for Monitoring Indian Economy (CMIE)**.
- Poverty line should be based on:
Normative level of adequate nutrition: Ideal and desirable level of nutrition.
Behavioral determination of non-food expenses: What people use or consume as per general behavior.

Nutritional Requirement:

- ✓ **Calories:** 2090 kcal in urban areas and 2155 Kcal in rural areas.
- ✓ **Protein:** For rural areas 48 gm and for urban areas 50 gm.
- ✓ **Fat:** For urban areas 28 gm and for rural areas 26 gm.
- **Poverty Threshold:** Persons spending **below ₹47** a day in cities and **₹32 in villages** be considered poor.
- Rangarajan committee estimated that the number of poor were **19% higher in rural areas** and **41% more in urban areas** than what was estimated using Tendulkar committee formula.
- **Modified Mixed reference period:** Instead of Mixed reference Period (MRP) it recommended Modified Mixed Reference Period (MMRP) in which reference periods for different items were taken as:
 - 365-days for clothing, footwear, education, institutional medical care, and durable goods.
 - 7-days for edible oil, egg, fish and meat, vegetables, fruits, spices, beverages, refreshments, processed food, pan, tobacco and intoxicants

- 30-days for the remaining food items, fuel and light, miscellaneous goods and services including non-institutional medical; rents and taxes.

Sustainable Development Goals

- The world has witnessed the adoption of the Sustainable Development Goals (SDGs), in September 2015, which replace the Millennium Development Goals (MDGs) and set the development agenda, for the next 15 years, with the aim of guiding the international community and national governments, on a path of sustainable development.
- The United Nations General Assembly (UNGA) in its 17th session in September 2015, announced a set of 17 SDGs and 169 MDGs targets.
- The agenda highlights poverty eradication, combating inequalities, promoting gender equality and the empowerment of women and girls as the ambient goal and has at its core the integration of the economic, social and environmental dimensions of sustainable development.
- The SDGs are effective from January 2016 and will end in 2030.

CAIIB Rural Banking Module A Unit 4- Infrastructure

Infrastructure

- Within the scope of infrastructure, roads, railways, air transportation, seaports, electric power, telecommunications and information technology (IT), which are often used as services are essential for the productive processes of the manufacturing, agriculture, and services sectors. Physical infrastructure has a direct bearing on sustainability of growth and overall development.
- Physical infrastructure, not only contributes for enhancement of productivity, but also assists in realization of the potential ability of human capital. It also directly and indirectly contributes to improving the quality of life of the population.
- Government of India, the Central Water Commission (CWC), government representatives from 10 participating states and the World Bank signed a US\$ 250 million project, to support the Indian government's long-term dam safety program and improve safety and performance of existing dams across various states.
- Ministry of Road Transport Highways, announced to launch 1,080-km (road construction) projects, worth Rs. 25,370 crore (US\$ 3.4 billion), under the **Bharatmala Pariyojana—the ambitious road and highways project** that aims to build highways from Maharashtra, Gujarat, Rajasthan, Punjab, Haryana and then, cover the entire string of Himalayan territories.
- The Parliament has passed a bill to set up the **National Bank for Financing Infrastructure and Development (NaBFID)** to fund infrastructure projects.
- The government has announced several interventions under the **Pradhan Mantri Aatmanirbhar Swasth Bharat Yojana**.

Transport

- The availability of transport facilities helps in the expansion of market, for goods, movement of raw material and finished goods, and development of remote and backward areas, apart from boosting industrial production.
- These rural roads are constructed under various schemes like the **Minimum Needs Program (MNP)**, the **Rural Landless Employment Guarantee Program (RLEGP)**, the **National Rural Employment Program (NREP)** and the **Command Area Development (CAD) Program**. The main objective of funding road construction in these projects is to create employment and to link villages with one another and also with the urban centres.
- The implementation of programs under the **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREA)** facilitated all-weather rural road connectivity to unconnected villages and to connect identified rural production centres to the existing 'pucca' road network and construction of 'pucca' internal roads.

Pradhan Mantri Gram Sadak Yojana

- The scheme provides for all-weather road connectivity to every rural habitation, with a minimum population of 500 in the plains and 250-plus in hill states, tribal districts and desert areas. PMGSY-II was launched in May, 2013 with the purpose to consolidate the existing rural road network.
- The plan covers upgradation of existing selected rural roads, based on a criterion to make the rural road-network vibrant and improve its overall efficiency.
- The centrally sponsored scheme fully funded by the Central Government, covered a total of 1.78 lakh habitations, as per the criteria laid down.
- Due to laying of these roads, it is now possible for the producers of perishable produce such as milk, fish and vegetables to sell their produce to a wider base of consumers, in nearby towns. It has also enabled companies to distribute their products through rural retail stores.

Rural Road Connectivity Works under the MGNREGS

The Mahatma Gandhi National Rural Employment Guarantee Scheme, being implemented, since February 2006, as a demand-driven and self-selecting program, marks a paradigm shift in India's efforts to create employment opportunities in rural areas. Its basic aim is to enhance livelihood security, by guaranteeing rural households not less than 100 days of paid employment per financial year, provided the adult members volunteer to do unskilled manual work.

Emphasis is laid on:

- Public Works relating to National Resources Management
- Tree plantation and horticulture in road margins
- Providing all-weather rural road connectivity to unconnected villages and to connect identified rural production centres to the existing pucca road network
- Construction of pucca internal roads or streets including side drains and culverts within a village.

Markets

Agriculture sector needs competitive and well-functioning markets for farmers to sell their produce.

Government has evolved programs for developing Agriculture Marketing system in the country. The Marketing Division of Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW) is concerned with policy and program implementation for Agricultural Marketing Reforms and Schemes of **Integrated Scheme for Agricultural Marketing (ISAM)**, and **National Agricultural Market (NAM) through Agri-Tech Infrastructure Fund (ATIF)**.

Agricultural Marketing Infrastructure

Under the Agricultural Marketing Infrastructure sub-scheme, there are two components

- **Storage Infrastructure and**
- **Marketing Infrastructure other than Storage.**

The main objectives of the AMI schemes are to develop agricultural marketing infrastructure for effectively managing marketable surplus of agriculture, promoting innovative and latest technologies and competitive alternative agricultural marketing infrastructure by encouraging private and cooperative sector investments, direct marketing, creation of scientific storage capacity, Integrated value chains and to provide Infrastructure facilities for grading, standardization and quality certification of agricultural produce.

Marketing Research and Information Network Scheme

- This scheme was launched as a Central Sector Scheme, in March, 2000, with the objective of collecting and disseminating information on price, arrival and other market related data, for the benefit of farmers and other market users.
- Under the scheme, the information on wholesale prices and arrivals in respect of more than 300 commodities and 2000 varieties are being disseminated, through the portal, on daily basis.
- Mandi price information is disseminated through DD Kisan channel and Kisan Call Centres. New innovations have been introduced for dissemination of market data through <https://agmarknet.gov.in>
- The '**Agmarknet**' portal and **National Agricultural Market Atlas portals** have been revamped and hosted with user friendly format. **Kisan Suvridha**, an omnibus mobile app developed by Ministry of Agriculture and Farmers Welfare has been helping farmers by providing relevant information to them quickly provides information on five critical parameters—**weather, input dealers, market price, plant protection and expert advisories.**

AGMARK (Agriculture Mark) Grading Facilities Scheme

- The Agricultural Produce (Grading and Marking) Act, 1937 (amended in the year 1986) provides for the grading and marking of agricultural produce. It involves

framing of grades, standards and certification of agricultural commodities included in the schedule appended to the Act. This program requires analysis of check samples and research samples in AGMARK Laboratories.

- The scheme aims to meet the expenditure for the purchase of equipment, chemicals, glassware and apparatus, AMC of the equipment as well as renovation and repair works in the AGMARK Laboratories/Regional and Sub offices.
- **Central AGMARK Laboratory, Nagpur** are carrying out analysis of check samples and research samples for developing and promoting grading and standardization of agricultural commodities under AGMARK.

Agri-business Development (ABD) through Venture Capital Assistance (VCA)

Financial support in the form of an interest free loan is provided by Small Farmers' Agri Business Consortium (SFAC). ***The scheme implemented by the SFAC has the following objectives:***

- To facilitate setting up of agribusiness ventures, in close association with institutions notified by RBI, where the ownership of the Central/State Government is more than 50 per cent.
- To catalyze private investment in setting up of agribusiness projects and thereby providing assured market to producers for increasing rural income & employment.
- To strengthen backward linkages of agribusiness projects, with producers.
- To assist farmers, producer groups, and agriculture graduates to enhance their participation in value chain, through Project Development Facility.
- To arrange training and visits, etc. of agripreneurs, in setting up identified agribusiness projects.
- To augment and strengthen existing set-up of State and Central SFAC.

National Institute of Agricultural Marketing Management

The Chaudhary Charan Singh National Institute of Agricultural Marketing (NIAM), is a premier National level Institute, set up to offer specialized Training, Research, Consultancy and Education in Agricultural Marketing. ***The objectives of the Institute are as under:***

- To conduct research on long term projects, policy formulation, prepare status papers, conduct case studies in specific to marketing problems.
- To impart training to various levels of personnel of organizations involved in agricultural marketing activities
- To offer consultancy services to state and Central Departments, public-sector undertaking, cooperative, etc., in preparation of Master plans for States.
- To develop promising human resources by providing long term structured courses in agricultural marketing.
- To cover a wide information network in the country in agricultural marketing to evolve efficient, innovative and competitive marketing process.

National Agriculture Market

e-NAM is a pan India electronic trading portal. Currently, 1000 markets are linked to e-NAM network from 18 states and three union territories. **Small Farmers Agribusiness Consortium (SFAC) is the lead agency for implementing eNAM. Benefits accruing to APMCs from e-NAM can be classified as under:**

- Free Software for System integration/ Automation of recording transactions
- Complete information on trade
- Real time arrival recording
- Analyze price trends, arrival and trading activities
- Automated record of financial information
- Reduction in man-power requirement.

Model APMC Act, 2017

- The Agriculture Ministry has come up with a new model Agricultural Produce Market Committee (APMC) Act, proposing single-point levy of market fee across a State and a united single trading licence for cost- effectiveness of transactions.
- The Centre has already asked States to modify their APMC Acts, in order to have a single licence and single point of levy of market fee at the State level and then gradually move towards a single licence and single point of levy of market fee, at the national level.
- As per NITI Aayog's index, Maharashtra ranks highest in implementation of various agricultural reforms. The State has implemented most of the marketing reforms and offers the best environment for undertaking agri-business among all the States and UTs. Gujarat ranks second with a score of 71.50 out of 100, closely followed by Rajasthan and Madhya Pradesh.

Rural Electrification

Under the Electricity Act, 2003, the central and state governments have the joint responsibility of providing electricity to rural areas. The 2003 Act, also mandates that the central government should, in consultation with the state governments, provide for a national policy on

- Stand-alone power systems, for rural areas
- Electrification and local distribution in rural areas

The Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), launched in 2005, was the first scheme on rural electrification. In December 2014, the Ministry of Power launched the **Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)**, which subsumed the RGGVY.

Components of DDUGJY include:

- Separation of agricultural and non-agricultural electricity feeders to improve supply for consumers in rural areas,
- Improving sub-transmission and distribution infrastructure in rural areas, and
- Rural electrification by carrying forward targets specified under the RGGVY.

- The central government provides 60% of the project cost as grant, the state power distribution companies raise 10% of the funds, and 30% is borrowed from financial institutions and banks.
- **Web enabled platform to capture near real-time progress- 'GARV App'**
- Leisang of the Manipur state was the last village electrified.

Other Services

Digital India Program

- The digital India program can help in bridging the rural-urban digital divide, through rural focused initiatives. Strengthening digital infrastructure in rural areas is a major focus area under the digital India program.
- **Bharat Net Program** is aimed at establishing a high-speed digital highway to connect all 2,50,000-gram panchayats, which will clearly be a major step forward in strengthening the digital infrastructure of the country, especially in the rural areas.
- **'Digital India'** program of India envisages that 2,50,000 Indian villages will have broadband connectivity, and universal phone connectivity. **The National Digital Literacy mission proposes to provide Information Communication and Technology (ICT) training to 10 lakh persons initially, one in every eligible household in selected blocks in each state/UT of the country. The government target is to make 60 million rural people digitally literate in a period of three years.**

Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)

- The major objective of the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) launched in July, 2015 is to achieve convergence of investments in irrigation at the field level, expand cultivable area under assured irrigation, improve on-farm water use efficiency to reduce wastage of water, enhance the adoption of precision-irrigation and other water saving technologies (more crop per drop), enhance recharge of aquifers and introduce sustainable water conservation practices by exploring the feasibility of reusing treated municipal waste water for peri-urban agriculture and attract greater private investment in precision irrigation system.
- The program will be supervised and monitored by an Inter-Ministerial National Steering Committee (NSC) which will be constituted under the Chairmanship of Prime Minister with Union Ministers from concerned Ministries. A National Executive Committee (NEC) will be constituted under the Chairmanship of Vice Chairman, NITI Aayog to oversee program implementation, allocation of resources, inter-ministerial coordination, monitoring & performance assessment, addressing administrative issues.

Infrastructure Facilities for Education in Rural Areas

Central Board of Secondary Education prescribes the minimum infrastructure required in school.

- The school must have about 2 acres land and a building constructed on a part of land and proper playground on the remaining land.
- It should provide minimum floor space of 1 sq. mtr. per student in the class.
- The school should have a well-equipped and spacious library with minimum of 1500 books and at least 15 magazines.
- The school should have at least 1 computer lab with minimum 10 computers or computer student's ratio of 1:20 and internet connection.
- Adequate facilities should be provided for recreational activities and physical education as well as for conduct of various activities and programs for the social, cultural, physical and moral development of students and for safeguarding their health.
- Science labs composite for secondary or/separate physics, chemistry, biology labs for senior secondary should be available. minimum size should be 9m × 6m each, approximately 600 sq. ft/ students.
- Separate toilet block for boys and for girls to be installed as per norms.
- Safe drinking water source inside school premises is mandatory. There should be minimum 500 ltrs. water tank for every 100 children.

India's New Education Policy (NEP) 2020 states that adequate and safe infrastructure, including working toilets, clean drinking water, clean and attractive spaces, electricity, computing devices, internet access, libraries, and sports and recreational resources will be provided to all schools to ensure that teachers and students, including children of all genders and children with disabilities receive a safe, inclusive, and effective learning environment and are comfortable and inspired to teach and learn in their schools.

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CAIIB Rural Banking Module A Unit 5- Agriculture Economy

Introduction

- Agriculture and allied activities clocked a growth of 3.0% at constant pace during 2020-21, with record production of food grains. According to the estimates, the share of agriculture and allied sector in overall Gross value added (GVA) increased by 1.5% to 16.3%.
- In northern India, there are two main seasons – **Kharif (July to October)** and **Rabi (October to March)**. The season between March and June is known as **Zaid** and is a minor season. Agriculture year is from July to June. Indian agriculture is largely monsoon dependent. About 90 per cent of annual rainfall is received during monsoon season, i.e., months of June to September. These rains are brought about by southwest monsoon. The annual average rainfall in India is about 120 cm whereas global average is about 100 cm.
- Livestock raising or animal husbandry is an important component of agriculture in India. Livestock sector plays a significant role in the welfare of India's rural population, as it employs a major section of the countries labour force.

Structure And Characteristics Of Indian Agriculture

Small Holder Agriculture

- As per the Sixth Agriculture Census, there has been a decline in the average size of operational land holdings in India, reflecting the immense population pressure on the limited land resource available for cultivation. The average size of operational land holdings dropped to 1.08 ha in 2015-16.
- Landholdings in the marginal category (less than 1 ha) constitute 68% of the operational holdings in the country (2015-16). In terms of area operated, the share of operational holdings by marginal farmers constituted 24% of the total operational holding during 2015-16.

Land Use

- With a view to conserving top soil and to prevent soil erosion and land degradation, GOI has been implementing various programs across the country. For developing degraded lands, GOI has been implementing the **National Watershed Development Project for Rainfed Areas (NWDPR)**, **Soil Conservation in the Catchments of River Valley Project & Flood Prone River (RVP&FPR)**, **Reclamation and Development of Alkali & Acid Soils (RADAS)**, **Watershed Development Project in Shifting Cultivation Areas (WDPSCA)** and the **Integrated Watershed Management Program (IWMP)**.
- The gross irrigated area over gross cropped area hovers around 50 per cent. There is a need to bring more cropped area under assured irrigation in order to increase production and productivity. The ultimate irrigation potential of the country is estimated at about 140 million ha.

Cropping Pattern

- The cropping pattern indicates the proportion of area under different crops, at a given point of time.
- **Multiple cropping** offers potential not only to increase food production but also helps in decreasing land degradation.
- A cropping system refers to a set of crop systems, making up the cropping activities of a farm system. The cropping system comprises all components required for the production of a particular crop. A cropping system usually refers to a combination of crops in time and space.
- The combination in time occurs when crops occupy different growing period and combinations in space occur when crops are inter-planted. The crops are grown solo or mixed (mixed-cropping) or in a definite sequence (rotational cropping). The land may be occupied by one crop during one season (mono-cropping) or by two crops during one season (double-cropping) which may be grown in a year in a sequence.

Allied Activities of Agriculture

- **Milk Production:** India continues to be the largest producer of milk in the world. The increased production in milk contributed to increase in per capita availability of milk over the years and as per the available data (March, 2019), the per capita availability of milk was 394 grams.

- **Meat Production:** India has world's largest population of livestock and it produces around 5.3 million MT of meat annually. India is the largest producer of buffalo meat and 2nd largest producer of goat meat. The largest producer of meat in the country is Uttar Pradesh producing 23% of the total meat followed by West Bengal
- **Poultry Sector:** Poultry is one of the fastest growing sub-sectors of animal husbandry. The per capita availability of eggs has also increased from 63 eggs/annum (2014-15) to 81 eggs per annum, in 2020.
- **Fisheries:** India is the second largest producer of fish in the world. It contributes 5.68% of the global fish production. India is also a major producer of fish through aquaculture, and ranks second in the world, after China.

Role Of Agriculture In Economic Development

The developmental role of agriculture can be summarized as provider of food, employment to a large number of people, market for non-agricultural goods and a source of foreign exchange earnings. These are termed as product contribution, factor contribution, market contribution and foreign exchange contribution respectively.

Product Contribution:

Agriculture contributes to the Gross Domestic Product, which is a measure of total output produced in an economy during a year. In a developing economy, where per capita income is rising, non-agricultural sectors are expected to grow faster than agricultural sector, the reasons being

- Demand for food and other agricultural products is less income-elastic than for non-agricultural products (Engel's law);
- Increasing use of inputs from non-agricultural sector in agriculture due to technological advancement (technological effect);
- Improved role of marketing services in distribution, storage and processing reduces farmer's share in consumer rupee (urbanization effect).

Factor Contribution:

The factor contribution of agriculture to economic development is resource transfers – labour and capital – to other sectors. Agricultural labour is transferred to non-agriculture sector, without causing any noticeable reduction in agricultural production process, as most of the transferred labour were either unemployed or partially employed. Transfer of capital from agriculture has two preconditions viz.

- **Generation of market surplus of agricultural products, and**
- **Net-savings from farming to exceed investment need in agriculture.**

Market Contribution:

- The agricultural sector, because of its large size, is the major market for domestic industrial products. Agriculture sector's market contribution also includes the sale of food and other agricultural products to non-agriculture sectors.

Foreign Exchange Contribution:

- Agriculture contributes to foreign exchange earnings by exporting its surplus. Diverse agro-climatic conditions in India are conducive to grow various crops almost round the year.

Agriculture-industry Linkage

Two kinds of linkage are identified – backward and forward.

- **Backward linkage** is measured in terms of the ratio of intermediate inputs purchased from other industries and total output of a particular industry.
- **Forward linkage** is measured in terms of the ratio of intermediate output sales to other industries and total sales including final consumer sales of a particular industry.

Total linkage is defined as the sum of forward and backward linkage.

- However, due to modernization of agriculture, the use of fertilizers, pesticides and mechanical aids have increased backward linkages. As regards forward linkages, it is observed that industries based on processing of agricultural products such as grain milling, textile manufacturing and fruit and vegetable canning are often pioneering industries in the process of industrialization.

Issues In Economic Development

- **Agriculture Versus Industry:** incomes from non-agricultural sector are much higher than incomes from agricultural sector. In economically developed economies, industry and services sectors dominate the economy. Yet, The role of agriculture remains important as it is less capital-intensive and employs large number of people.
- **State Versus Market:** In the process of economic development, the roles of state and market are complementary. Markets work best in a stable macroeconomic environment in which, taxes are predictable, prices are stable and government budget is balanced. Therefore, conducive policy environment is necessary for efficient functioning of markets.
- **International Trade:** The issue relating to international trade is concerned with import substitution versus export promotion. Experience has shown that subsidized import substitution generally limits competition, dampens innovation and productivity growth.

Resources In Agriculture

Resources are scarce and classified as land, labour, capital and management.

- **Land:** Land includes all natural resources, which have an exchange value, covering land, water, air, sunshine and forests, which are useful now as well as in future. Land is immobile and Fixed in quantity but provides wide variation in fertility. Quality of land depends on soil quality, nutrient level and water holding capacity.

- **Labour:** The main characteristics of labour are that its supply cannot be rapidly increased or reduced and division of labour is associated with efficiency in production. Work force in agriculture in India includes cultivators, agricultural labourers and those engaged in livestock, forestry, fishing, plantation, orchards and allied activities.
- **Capital:** Agricultural capital broadly includes money invested in livestock, machinery and buildings. It has two components – working capital and fixed capital. A possible source of capital is credit, which is defined as the capacity or ability to borrow money.
- **Entrepreneurship:** The role of entrepreneurship or management is to co-ordinate and put to use various factors of production with a view to achieving specific goals.
- **Resource Productivity and Efficiency:** The concept of productivity and efficiency are related to resource use and are useful for comparison and improvement in resource use efficiency. Productivity is important, as resources like land are limited, and so production can increase through increase in productivity. Allocating resources to maximize net economic benefits is termed as efficiency.

Technical Change In Agriculture

It is broadly referred to as changes in techniques of production, resulting from scientific research and experience.

Embodied technical change refers to the introduction of new technology in the form of physical inputs like use of tractor or other machines. Disembodied technical change is improved managerial ability due to better information on weather and prices.

Seeds:

- Seed is the basic and most critical input for sustainable agriculture. It is estimated that the direct contribution of quality seed alone to the total production is about 15-20 per cent, depending upon the crop and it can be further raised up to 45 per cent, with efficient management of other inputs.
- **The Indian Seed Program** includes the participation of Central and State Governments, the Indian Council of Agricultural Research (ICAR), state agricultural universities, the cooperatives and private players. There are 15 state seed corporations besides the National Seeds Corporation and the State Farms Corporation of India, at the national level.
- The Ministry of Agriculture is implementing a central sector scheme **“Development and Strengthening of Infrastructure facilities for production and distribution of quality seeds”** on all India basis, since 2005-6, in order make available quality seeds of various crops to the farmers, at affordable price and in time, so as to enhance seed replacement rate, boost seed production in private sector and help the public sector seed companies to enhance their production.

Fertilizer:

The Government has taken a number of measures to improve fertilizer application in the country. A new scheme, the **National Project on Management of Soil Health & Fertility (NPMSF)**, has been introduced in 2008–09, with a view to setting up of 500 new Soil Testing Laboratories (STLs) and 250 Mobile Soil Testing Laboratories (MSTLs) and strengthening of the existing State STLs for micronutrient analysis.

- **Soil Health Management (SHM):** Soil Health Management (SHM) component under the National Mission for Sustainable Agriculture is to promote soil test-based-balanced use of fertilizers, through setting up/strengthening of soil testing laboratories, trainings and demonstrations on balanced use of fertilizers.
- **Soil Health Card (SHC) scheme:** In 2014–15, Soil Health Card Scheme was introduced to assist State Governments to issue soil health cards to all farmers in the country. It will provide information to farmers on nutrient status of their soil along with recommendation on appropriate dosage of nutrients to be applied for improving soil health and its fertility. Soil status will be assessed regularly every 3 years, so that, nutrient deficiencies are identified for taking corrective measures.
- **Concept of customized fertilizers:** In order to encourage balanced use of fertilizers, a new concept of customized fertilizers has been introduced. These fertilizers are soil- specific and crop-specific. Organic fertilizers, namely city-based compost and vermin compost, and bio-fertilizers, namely rhizobium, azotobacter, Azospirillum and phosphate solubilizing bacteria, have been recognized and incorporated in Fertiliser Control Order FCO 1985.

Constraints In Agricultural Development

Land Ownership And Operation:

Land reforms include abolition of intermediaries, tenancy reform, fixation of land ceiling, consolidation of land holding and co-operative management of land.

The NITI Ayog has set up an expert committee under the Chairmanship of Dr T Haque, to prepare a model agricultural land leasing act, in consultation with the states. The key features of the **Model Land Leasing Act 2016** proposed by the expert committee are as follows:

- Legalize land leasing to promote agricultural efficiency, equity and poverty reduction.
- Legalize land leasing in all areas to ensure complete security of land ownership right for landowners and security of tenure for tenants for the agreed lease period.
- Remove the clause of adverse possession of land in the land laws of various states, as it interferes with free functioning of land lease market
- Allow automatic resumption of land after the agreed lease period, without requiring any minimum area of land to be left with the tenant, even after termination of tenancy,
- Allow the terms and conditions of lease to be determined mutually by the land owner and the tenant without any fear on the part of the landowner of losing

land right or undue expectation on the part of the tenant of acquiring occupancy right for continuous possession of leased land for any fixed period.

- Facilitate all tenants including sharecroppers to access insurance bank credit and bank credit against pledging of expected output.
- Incentivize tenants to make investment in land improvement and also entitle them to get back the unused value of investment at the time of termination of tenancy

Land Fragmentation:

- It refers to a small or incomplete part or piece of land broken off or separated from the whole land to which, it originally belongs. Increasing human and animal population has reduced the availability of land, over the decades.
- Per capita availability of land has declined from 0.91 hectares in 1951 to 0.27 hectares in 2011, and is projected to slide further to 0.20 hectares in 2035.

Capital Formation:

- Capital formation is essential for capacity building and is a key to growth, development and sustainability. Therefore, a decline in capital formation warrants a serious study and may act as a constraint to agricultural development, if corrective measures are not taken in time. It is important to increase the capital formation in agriculture sector by both public as well as private sector investments.

Marketing Aspects:

- Agriculture being a seasonal activity, the arrival of commodities in the market, in bulk, leads to fall in prices. This necessitates building up of adequate on-farm storage and extended storage facilities in market yards, to avoid slump in prices that can happen due to heavy arrivals. Similarly, absence of adequate and efficient transportation facilities would tend to depress the prices of agricultural commodities in surplus areas, despite high ruling prices in deficit areas.
- Agricultural Produce and Livestock Marketing (Promotion and Facilitating) Act (APLM), 2017, provides wider options for farmers to sell produce and get better prices. Seeking to create a barrier-free market for agricultural produce and livestock across the country, the Centre has unveiled a model law and urged states to adopt it.

Emerging Issues In Agriculture

Agriculture and Environment

- Agriculture contributes to a number larger of environmental issues that cause environmental degradation including climate change, deforestation, biodiversity loss, dead zones, genetic engineering, irrigation problems, pollutants, soil degradation, and waste.

- Among some of these problems is the depletion of underground aquifers through over drafting. Soil can be over-irrigated because of poor distribution uniformity or management waste water, chemicals, and may lead to water pollution.

Climate Change and Agriculture

- Global warming is projected to have significant impacts on conditions affecting agriculture, including temperature, precipitation and glacial run-off.
- Agriculture has been shown to produce significant effects on climate change, primarily through the production and release of greenhouse gases such as carbon dioxide, methane, and nitrous oxide. In addition, agriculture that practices tillage, fertilization, and pesticide application also release ammonia, nitrate, phosphorus, and many other pesticides that affect air, water, and soil quality, as well as biodiversity.

Export Competitiveness of Agriculture

- India's aspirations regarding increasing agriculture exports from USD 40 bn to USD 100 billion are well-suited to capture the opportunity offered by global food and agriculture trends.
- The High- Level Expert Group (HLEG) on agricultural export (set up by the 15th Finance Commission) estimates that this will naturally influence the domestic agriculture market and result in meaningful job creation.

Agricultural Diversification and Food Security

Crop diversification: With the advent of modern agricultural technology, especially during the period of the Green Revolution, there is a continuous surge for diversified agriculture in terms of crops, primarily on economic considerations.

The crop pattern changes, are the outcome of the interactive effect of many factors which can be broadly categorized into the following five groups:

- Resource related factors, covering irrigation, rainfall and soil fertility.
- Technology related factors, covering not only seed, fertilizer, and water technologies, but also those related to marketing, storage and processing.
- Household related factors, covering food and fodder self-sufficiency requirement as well as investment capacity.
- Price related factors, covering output and input prices as well as trade policies and other economic policies that affect these prices either directly or indirectly.
- Institutional and infrastructure related factors, covering farm size and tenancy arrangements, government regulatory policies.

National Food Security Mission

- **National Development Council (NDC)**, adopted a resolution to launch a Food Security Mission comprising rice, wheat and pulses, to increase the annual production of rice by 10 million tons, wheat by 8 million tons and pulses by 2 million tons by the end of the Eleventh Plan (2011-12).

- Accordingly, a Centrally Sponsored Scheme, '**National Food Security Mission (NFSM)**', was launched in October 2007. The Mission continued during 12th Five Year Plan, with new targets of additional production of food grains of 25 million tons comprising of 10 million tons rice, 8 million tons of wheat, 4 million tons of pulses and 3 million tons of coarse cereals, by the end of 12th Five Year Plan.

Value Chain in Indian Agriculture

- Agriculture value chains provide considerable scope to improve small farmers' access to markets and financial resources, reduce transaction costs, mitigate supply and market risks and build human and social capital, there are constraints in organizing and stabilizing AVCs in developing countries like India, with a larger number of small farm holdings.
- Strengthening the AVC and linking and integrating them into the Global Agriculture Value Chains (GAVC) is suggested to increase the competitiveness of agriculture exports and benefit from the global demand for agriculture and horticulture products.
- Some of the successful models where financing of value chains provided a crucial role in developing the value chains including a small holder value chain are VAPCOL in Gujarat, MAHAGRAPES in Maharashtra and SAFAL in Delhi.

National Mission For Sustainable Agriculture (NMSA)

NMSA, one of the eight missions under the **National Action Plan on Climate Change (NAPCC)**, seeks to address issues associated with climate change. Adaptation and mitigation strategies were devised for ensuring food security, equitable access to food resources, enhancing livelihood opportunities and contributing to economic stability of the people at the end.

The major components of mission are:

- **Rain fed Area Development (RAD)** components of the Mission focuses on Integrated Farming System, Value Addition & Farm Development Activities, with emphasis not only on maximizing the farm returns but also to mitigate the impacts of climatic aberrations.
- **On-Farm Water Management (OFWM)** focuses on enhancement of water use efficiency (WUE) by promoting micro irrigation, efficient water application & distribution system, secondary storage & drainage development and reduction of conveyance loss of water, However, this component has now been subsumed with the recently launched Centrally Sponsored Scheme "**Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)**"
- **Soil Health Management:** aims at promotion of location as well as crop specific sustainable soil health management including residue management, organic farming;
- **Climate Change & Sustainable Agriculture Modelling & Networking (CCSAMN)** provides creation and bidirectional dissemination of climate change related information and knowledge by way of piloting climate change adaptation/mitigation research/model projects in the domain of climate smart

sustainable management practices and integrated farming system suitable to local agro - climatic conditions.

CAIIB Rural Banking Module A Unit 6- Rural Development Policies

National Rural Livelihoods Mission (NRLM)

The originally launched **Integrated Rural Development Program (IRDP)**, subsequently modified as **Swarnjayanti Gram Swarozgar Yojana (SGSY) in the year 1999**, was a flagship program of the Ministry of Rural Development.

The program aimed at providing sustainable income to rural BPL households, through income generating assets/economic activities, in order to bring them out of poverty.

The Committee recommended adoption of a 'Livelihoods Approach' to rural poverty elimination. The approach encompassed the following four inter-related tasks:

- Mobilizing poor households into functionally effective SHGs and their federations
- Enhancing access to bank credit and financial, technical and marketing services
- Building capacities and skills for gainful and sustainable livelihoods development
- Converging various schemes, for efficient delivery of social and economic support services to poor households

The guiding principles of NRLM are:

- Poor have a strong desire to come out of poverty, and they have innate capabilities
- Social mobilization and building strong institutions of the poor is critical for unleashing the innate capabilities of the poor.
- An external dedicated and sensitive support structure is required to induce the social mobilization, institution building and empowerment process
- Facilitating knowledge dissemination, skill building, access to credit, access to marketing and access to other livelihood services underpins this upward mobility

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

The core objectives of MGNREGA are as under:

- Providing not less than one hundred days of unskilled manual work, as a guaranteed employment in a financial year to every household in rural areas as per demand, resulting in creation of productive assets of prescribed quality and durability
- Strengthening the livelihood resource base of the poor
- Proactively ensuring social inclusion
- Strengthening Panchayati Raj Institutions.

It provides a legal guarantee for wage employment by providing allowances and compensation both in cases of failure to provide work on demand and delays in payment of wages for work undertaken.

Social audit is a new feature under the program, which creates accountability of performance, especially towards immediate stakeholders.

Skill Development And Entrepreneurship Initiatives

Skills and knowledge are driving forces of economic growth and social development for any country. Countries with higher levels and better standards of skills adjust more effectively to the challenges and opportunities in domestic and international job markets. Our country, however, has a big challenge ahead, as it is estimated that only 14.69 per cent of the total workforce has undergone formal skill training.

National Institute for Entrepreneurship and Small Business Development (NIESBUD)

NIESBUD, registered under the Societies Registration Act, 1860, has been functioning since 6 July 1983. The administrative affairs of the Institute were transferred to the Ministry of Skill Development and Entrepreneurship, in May, 2015.

The broad functions/activities of the Institute are as under:

- Accelerating introduction of Entrepreneurship in formal education (general, technical, skill and management) streams.
- Developing promotional material, designing motivational campaigns and undertaking related activities, for creating conducive environment, for entrepreneurial efforts
- Facilitating provision of Business Development Services, for prospective start-ups/self-employment ventures.
- Putting in place an e-mechanism, for providing mentoring support, monitoring and follow up.
- Co-ordinating/Facilitating activities under the “Pradhan Mantri Yuva Yojana” including Assessment and Certification of the beneficiaries.
- Organizing research and other interventions for ascertaining effectiveness of the initiatives aimed at ‘Ease of Doing Business’ by ‘Start-ups’ and ‘Self-employed’ in the country.
- Creating and hosting a Knowledge Repository of information, support materials, government policies, etc., for use by potential Start-ups, New Entrepreneurs and MSMEs.

Indian Institute of Entrepreneurship (IIE)

The Indian Institute of Entrepreneurship (IIE) was established in the year 1993, in Guwahati, by the Ministry of Industry, Department of SSI & ARI, and Government of India, as an autonomous national institute. **The broad functions/activities of the Institute are as under:**

- To promote and develop entrepreneurship.

- To conduct research and provide consultancy services, for entrepreneurship development.
- To coordinate and collaborate with other organizations in providing training, and undertake research and other activities to increase the outreach
- To provide consultancy services to potential entrepreneurs and enhancing employability of the participants.
- To promote greater use of information technology, in the activities/functions of the IIE, schemes and initiatives through the National Skill Development Corporation.

Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

PMKVY is the flagship outcome-based skill training scheme of the Ministry of Skill Development & Entrepreneurship (MSDE). The objective of this skill certification and reward scheme is to mobilize a large number of Indian youths to take up outcome-based skill training, to become employable and earn their livelihood.

The scheme has two components viz.,

- **Centrally Sponsored Centrally Managed (CSCM) scheme** -75% of the PMKVY (2016-2020) funds shall be available to MSDE for skilling through National Skill Development Corporation (NSDC)
- **Centrally Sponsored State Managed (CSSM) scheme** - (25% of the funds of PMKVY 2.0 shall be allocated to the States).

Ministry of Skill Development and Entrepreneurship through NSDC, implements the Pradhan Mantri Kaushal Kendra (PMKK) Scheme, for setting up of model skill centre, in every district of the country

Udaan Scheme

- The Special Industry Initiative (SII) for J&K is funded by the Ministry of Home Affairs and implemented by the **National Skill Development Corporation**
- Udaan program is a special initiative to **address the needs of the educated unemployed in J&K**. It is focused on youth who are graduates, post graduates and three-years diploma engineers. The aim is to provide skills and job opportunities to the youth.
- The target was to reach out to 40,000 youth in J&K over a period of 5 years. The objectives of the Scheme are: (a) to provide exposure to the graduates and post graduates of Jammu and Kashmir to the best of corporate India and (b) to make available the rich talent pool available in the state.
- Udaan Mega Drives act as a platform where multiple corporates help mobilize youth of J&K for Udaan training program that are organized across the state in different districts.

Pradhan Mantri Yuva Yojana

The **Pradhan Mantri Yuva Udyamita Vikas Abhiyan (YUVA)**, launched in November, 2016, aims at creating an enabling eco-system, for entrepreneurship promotion among

youth, through entrepreneurship education and training, advocacy, easy access to entrepreneurship support network and promotion of social entrepreneurship.

The specific objectives of the scheme are to

- Educate and equip potential and early-stage entrepreneurs
- Connect entrepreneurs through networks of peers, mentors, incubators, funding and business services
- Support entrepreneurs through Entrepreneurship Hubs (E-Hubs)
- Catalyze a culture shift to support aspiring entrepreneurs.

The Scheme is being implemented in partnership with both public and private stakeholders.

Shyama Prasad Mukherji Rurban Mission (SPMRM)

Government has launched the Shyama Prasad Mukherji Rurban Mission (SPMRM), in September 2015, aimed at strengthening rural areas by provisioning of economic, social and physical infrastructure facilities.

The Mission aims at development of 300 Rurban clusters, in the next 5 years. The Objectives are:

- Bridge the rural urban divide- economic, technological and those related to facilities and services.
- Spreading development in the region.
- Attracting investments in the rural areas.
- Stimulating local economic development with emphasis on reduction of poverty and unemployment in rural areas.

A '**Rurban cluster**', would be a cluster of geographically contiguous villages with a population of about 25,000 to 50,000 in plain and coastal areas and a population of 5,000 to 15,000 in desert, hilly or tribal areas.

Programs For Development Of Backward Areas

Drought Prone Areas Program (DPAP):

The DPAP was launched by the Government, as an integrated area development program in the year 1973, in arid and semi-arid areas having poor natural resources. Drought prone areas had degraded environment and suffered from soil erosion, water and moisture stress.

The main thrust of this program was directed towards restoration of ecological balance by focusing on:

- Development and management of water resources,
- Soil and moisture conservation measure,
- Afforestation,
- Development of pasture lands,
- livestock development, and

- Development of subsidiary occupations.

Hill Areas Development Program (HADP):

The basic objective of this program was to bring about socio-economic development of the hills and the people living there.

Desert Development Program (DDP):

It was launched with an aim to with the aim of:

- Controlling further desertification of the desert areas
- Mitigating the adverse effects of drought in the areas
- Restoring the ecological balance
- Raising productivity of land and water resources in these areas.

Power Supply To Rural India Program

- Government of India has launched the scheme “**Deendayal Upadhyaya Gram Jyoti Yojana**” for rural electrification to provide continuous power supply to rural India in 2015. The erstwhile Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) scheme for village electrification and providing electricity distribution infrastructure in the rural areas has been subsumed in the DDUGJY.
- **Rural Electrification Corporation is the Nodal Agency for implementation of the DDUGJY.**
- Under the scheme, 60% of the project cost (85% in the case of special states) is provided as grant by GOI and additional grant up to 15% (5% in the case of special category states) is provided on achievement of prescribed milestones.
- **The International Energy Agency (IEA), 2018** has acknowledged that India’s move to energize every village in the country with electricity is one of the greatest success stories in the world in 2018.

Development Of Dryland Farming

A centrally sponsored scheme of **Integrated Dry Land Agricultural Development** was launched in 1970-71, in 24 pilot projects. The objective of the scheme was to test and demonstrate the technology developed by the All -India Co-ordinated Research Project for Dryland Agriculture, under the Indian Council for Agricultural Research (ICAR).

The major components of watershed development were:

- Land development,
- Construction of water harvesting storage,
- Coverage of area with improved/drought resistant seeds and fertilizers.

The **National Watershed Development Project for Rainfed Areas (NWDPR)** initiated in the Sixth Plan envisaged that a micro watershed would be taken up for development in every block having assured irrigation of less than 30%.

Soil And Water Conservation

- Soil conservation is a measure undertaken in order to prevent soil loss from erosion or reduced fertility, caused by over usage, acidification, salinization or other chemical soil contamination.
- Techniques adopted for improved soil conservation include practices like crop rotation, cover cropping, conservation tillage and planted windbreaks (linear planting of trees and shrubs in a designed way), etc.
- **The National Water Policy (NWP), 2012** serves as a policy guideline, for development and management of water resources, in the country.
- It has emphasized on their implementation through the National Water Board, by preparing a plan of action. The Ministry of Water Resources, River Development and Ganga Rejuvenation, is responsible for conservation, management and development of water, research and development, training and matters relating to irrigation and multi-purpose projects

Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)

- It is being implemented with the objective of developing a long- term solution for mitigating the effect of drought and increasing area under irrigation with motto of '**Har Khet Ko Pani**'.
- The scheme has been conceived amalgamating the Accelerated Irrigation Benefit Program (AIBP) of the Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR, RD&GR), Integrated Watershed Management Program (IWMP) of Department of Land Resources (DoLR) and the On Farm Water Management (OFWM) of Department of Agriculture, Cooperation and Farmers Welfare.
- The major objective of PMKSY is to achieve convergence of investments in irrigation at the field level, expand cultivable area under assured irrigation, improve on farm water use efficiency to reduce wastage of water, enhance the adoption of precision irrigation and other water saving technologies.

Rural Infrastructure Development Fund

The Fund was instituted with an initial corpus of Rs. 2,000 crore, by way of deposits to be placed with NABARD by commercial banks to the extent of their respective shortfalls in agriculture lending, under priority sector.

At present, there are 37 eligible activities under RIDF as approved by GOI. The eligible activities are classified under three broad categories i.e.,

- Agriculture and related sector
- Social sector and
- Rural connectivity.

The project for rural connectivity, social and agri-related sector, are eligible for loans to the extent of 80% to 95% of project cost.

Loans availed under RIDF are to be repaid in equal annual instalments within seven years from the date of withdrawal, including a grace period of two years. The interest shall be paid at the end of each quarter. The implementation phase for projects

sanctioned under the Fund is spread over two to five years, varying with the type of the project and also location of the state.

Economic Reforms

Macroeconomic Stabilization

The key policy reforms introduced in this area were fiscal-monetary policy reforms. These were aimed at:

- Providing a better balance between aggregate demand and supply
- Minimizing the distortion effects of the tax system
- Forcing public enterprises to minimize cost and maximize efficiency.

Government's expenditure was concentrated in two areas:

- ✓ Consumption expenditure, and
- ✓ Subsidy payments.

In order to generate additional revenue, government planned to broaden tax base, rationalize tax rates and improve collection through non-tax sources.

Structural Reforms

Comprehensive structural reforms have been undertaken to improve the supply-side of economy. Among them the important ones were: **(i) Trade and capital flows reforms, (ii) Industrial deregulation, and (iii) Public sector reforms.**

Trade and Capital flow Reforms:

- ✓ Government initiated a number of trade policy changes, with a view to integrating the Indian economy better, with the rest of the world. The value of rupee was adjusted downward by about 20 per cent in July 1991.
- ✓ The other measures included the convertibility of the rupee first on trade account and then on entire current account transaction, liberalization of import regime, substantial lowering in customs tariff rates, measures to promote exports.

Industrial Deregulation:

- ✓ Historically, domestic economic activities in India were subjected to a wide-ranging government control measure. In the industrial sector, such controls took various forms like industrial licensing, which acted as a barrier to entry, reservation of a large number of industries, for the public sector and for the small-scale sector, time consuming procedures required for the exit of firms from an industry and price and distribution control on various industrial products. The thrust of new industrial policy announced in July, 1991 was on removing these controls

Public Sector Reforms

- ✓ Since the public sector was not generating enough internal resources and becoming a constraint on economic growth, the government adopted a new approach viz. provision of greater managerial autonomy to public enterprises to enable them to work efficiently; encourage private sector competition in areas where social considerations are not paramount; and provide market orientation to the public sector through the disinvestment process.

Financial Sector Reforms

A committee under the chairmanship of **Shri M. Narasimham** was set up to examine the country's Financial System and the committee submitted its report in December 1991. The Committee, recommended

- Gradual reduction of the reserve requirements to be maintained by banks (both SLR and CRR)
- Redefining the priority sector and phasing out the directed lending programs
- Interest rate determination on the grounds of market forces such as demand for and the supply of fund
- Structural reorganization of the banking sector
- Establishment of ARF tribunal, to ease the problems of NPAs in banks
- Provision of autonomy to the public sector banks
- Adoption of uniform accounting practices, particularly, in regard to income recognition and provisioning against doubtful assets and making full disclosures in the balance sheets
- Rationalization of operations of foreign banks.

Following acceptance of the report by GOI, the following actions were initiated:

- SLR and CRR were reduced from 38.5 per cent to 25 per cent and from 15 per cent to 10 per cent respectively.
- The RBI introduced prudential norms for income recognition, classification of assets and provisioning for bad debts for the first time.
- The banks were required to maintain capital equivalent to 8 per cent of their risk weighted assets.
- Commercial banks which had met certain stipulated conditions were allowed to open new branches without the approval of the RBI. They were also permitted to close down non-viable branches other than those in rural and semi-urban areas.
- Interest rates of commercial banks on loans above Rs. 2 lakhs were fully deregulated.
- Interest rates on advances of all Co-operative banks and Regional Rural Banks were deregulated.

Impact of Reform In Rural Economy

The impact of reforms on rural economy is discussed in the following five important areas

- Flow of credit for agriculture and rural development
- Investment in agriculture

- Input subsidies
- Agricultural exports
- Poverty alleviation and employment generation programs

Doubling the Farmers' Incomes by 2022

- Pradhan Mantri Kisan Samman Nidhi (PM-KISAN). The scheme aims to provide a payment of Rs. 6,000 per year, in three 4-monthly installments of Rs. 2,000 to the farmers families
- Pradhan Mantri Kisan Maan Dhan Yojana (PM-KMY) for providing old age pension to these farmers. Under this Scheme, a minimum fixed pension of Rs. 3,000 will be provided to the eligible small and marginal farmers, on attaining the age of 60 years.
- Government has approved the increase in the Minimum Support Price (MSPs) for all Kharif & Rabi crops for 2018-19 season, at a level of at least 150 percent of the cost of production.
- “Per drop more crop” initiative under which drip/sprinkler irrigation is being encouraged for optimal utilization of water, reducing cost of inputs and increasing productivity
- “Paramparagat Krishi Vikas Yojana (PKVY)” launched for promoting organic farming.
- Launch of e-NAM initiative to provide farmers an electronic transparent and competitive online trading platform.
- Under “Har Medh Par Ped”, agro-forestry is being promoted for additional income. With the amendment of Indian Forest Act, 1927, Bamboo has been removed from the definition of trees. A restructured National Bamboo Mission has been launched in the year 2018 to promote bamboo plantation on non-forest government
- Government has approved a new Umbrella Scheme ‘Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA)’. The Scheme is aimed at ensuring remunerative prices to the farmers for their produce.
- Bee keeping has been promoted under Mission for Integrated Development of Horticulture (MIDH) to increase the productivity of crops through pollination and increase the honey production as an additional source of income of farmers.
- Government provides interest subvention of 2 per cent on short-term crop loans up to Rs. 3.00 lakh besides incentive for prompt repayment at 3 per cent. Presently, loan is available to farmers at an interest rate of 4 per cent per annum on prompt repayment.
- There are Micro Irrigation Fund (Rs. 5,000 crores); Agri-marketing Fund to strengthen eNAM and GrAMs (Rs. 2,000 crores); Agricultural Infrastructure Fund (AIF) to build agri-logistics (backward & forward linkages) (Rs. 1 lakh crore).

- **Market intervention scheme:** The Department of Agriculture, Cooperation and Farmers' Welfare implements the MIS for procurement of agricultural and horticultural commodities which are perishable in nature and are not covered under the PSS. The objective of intervention is to protect the growers of these commodities from making distress sale in the event of a bumper crop during the peak arrival period when the prices tend to fall below economic levels and cost of production.

CAIB Rural Banking Module A Unit 7- Issues Concerning Rural Areas

Components Of Rural Development

Rural development has several components such as increase in production of agriculture, allied activities and non-farm sector; increase in the income of the poor, generation of employment opportunities particularly for the poor, and provision of basic amenities and infrastructural facilities such as health, education, drinking water, good roads, electricity and market centers.

Approaches To Rural Development Since Independence

Community Average:

- Rural Development program in India, started with Community Development Program (CDP) which was launched in the year 1952. It was a broad-based program covering agriculture, animal husbandry, irrigation, co-operation, village and small-scale industries, health, education, communication and housing.
- The aim was to secure total development of material and human resources, thus, promoting social welfare and social justice and also building up of the democratic organization of the people.

Growth-oriented Approach:

- Food shortage during the Second Plan period shifted the focus on augmenting food grains production.
- Program like the Intensive Agriculture District Program (IADP), the Intensive Cattle Development Program (ICDP), the High Yielding Varieties Program (HYVP) were launched in the 60s. The focus of these programs was on increased production. This approach, however, helped only the rich farmers in rural areas, but failed to make any dent in the basic problem of poverty and unemployment.

Target Group Approach:

- **The Small Farmers Development Agency (SFDA) and Marginal Farmers and Agricultural Labourers (MFAL) Agency** were introduced with the hope of increasing the income of small farmers, marginal farmers and agricultural labourers.
- Several employment generation programs such as **Food for Work Program, National Rural Employment Program (NREP), Rural Landless Employment**

Guarantee Program (RLEGP) and Jawahar Rozgar Yojana (JRY) were initiated, in a phased manner. The target group approach proved more effective in delivering the benefits of development programs to the poor.

Area Development Approach:

- Several area-specific programs were introduced for the development of backward areas in the 70s. They were **Drought Prone Area Program (DPAP), Desert Areas Development Program (DDP), Hill Area Development Program (HADP) and Tribal Area Development Program (TADP)**. It proved successful in reducing inter-regional disparities by promoting the development of backward areas.

Welfare Approach:

- Under this segment, welfare programs like Minimum Needs Program and Applied Nutrition Program were introduced by the Government in order to provide basic public services to the rural people.

Integrated Rural Development Approach:

- This was designed to achieve balance among growth, removal of poverty and employment generation with focus on target groups to help small and marginal farmers, agricultural labourers and rural artisans.
- This strategy took an integrated view of rural poverty and unemployment and addressed economic, commercial, organization, technological and political bases of these problems.
- The successful implementation of this strategy required integration of economic activities of rural families by developing all the three sectors – primary, secondary and tertiary.

Sustainable Rural Development

The sustainable rural development would mean the development for the present generation, without compromising the ability of the future generation to meet its own needs. Causes of **ecological imbalance in rural areas are as follows:**

- **Land and Water Mismanagement:** Land and water are two important natural resources. The quality of environment lies in efficient use of land and water. Proper management of land has not been paid proper attention in most part of the country. This is posing a major threat to progress in rural areas. Water logging and consequent salinity in irrigated areas due to lack of proper drainage facilities has affected about 6 million hectares of land in the country.
- **Destruction of Other Natural Living Resources:** India's other natural living resources including animals, plants and other marine ecosystems are immense. Due to the pressure of population and other developments, the habitats of species are undergoing change which has resulted into disappearance of certain species and ecosystems.

National Mission for Sustainable Agriculture (NMSA):

NMSA has been made operational by GOI from the year 2014-15 which aims at making agriculture more productive, sustainable, remunerating and climate resilient

Soil Health Management (SHM):

- It aims at promoting **Integrated Nutrient Management (INM)**, through judicious use of chemical fertilizers including secondary and micro nutrients in conjunction with organic manures and bio-fertilizers, for improving soil health and its productivity; strengthening of soil and fertilizer testing facilities.

Pradhan Mantri Krishi Sinchayee Yojana (PMKSY):

- It is implemented by GOI to achieve convergence of investments in irrigation at the field level, expand cultivable area under assured irrigation, improve on-farm water use efficiency to reduce wastage of water, enhance the adoption of precision-irrigation and other water saving technologies (more crop per drop).

The Paramparagat Krishi Vikas Yojana

- It is implemented with the aim to promote organic cultivation in India, to improve soil health as well as organic matter content and to boost the net income of the farmer so as to realize premium prices.

National Agriculture Market

- It gives an e-marketing platform at the national level and support creation of infrastructure to enable e-marketing. This new market process is revolutionizing agriculture markets by guaranteeing better price discovery. It has also facilitated bringing in transparency and competition to enable cultivators to get improved remuneration for their produce moving towards '**One Nation One market**'.

Pradhan Mantri Fasal Bima Yojana (PMFBY)

- Providing financial support to farmers suffering crop loss/damage arising out of unforeseen events
- Stabilizing the income of farmers to ensure their continuance in farming
- Encouraging farmers to adopt innovative and modern agricultural practices and
- Ensuring credit worthiness of the farmers, crop diversification and enhancing growth and competitiveness.

Necessity For Rural Development

The issues concerning rural development in our country are briefly indicated below:

Backwardness

- Agricultural growth rate was not high in India and it could not increase income of agriculturists significantly. Moreover, the growth was not the same for all the crops and all the regions. Fluctuation in rainfalls affects agricultural production and leads to fluctuation in the income of farmers.

Massive Poverty

- The large number of rural poor is mostly landless labourers, small and marginal farmers and rural artisans, as they either have no assets or the assets owned by them, have low productivity. The major reasons of poverty are to be found in the social and economic structure, prevailing in the rural areas.

Large Scale Unemployment

- The level of unemployment in agricultural sector is very high as most of the people engaged in agriculture are in disguised unemployment, as the number of workers is larger than the need for them.

Poor Basic Infrastructure Obtaining in Rural Areas

- Basic infrastructural facilities such as roads, electricity, drinking water, schools, hospitals, transport and communication in rural areas are inadequate and poorly maintained. As a result, the poor villagers do not get proper education and remain in the vicious cycle of poverty.

Small and Unorganized Rural Entrepreneurs

- Since most rural entrepreneurs are small and unorganized, they have a low bargaining power, in terms of processing raw material and marketing of produce. This results in exploitation of rural producers.

Traditional Farming Techniques

- Government intervention is required to bring more and more area under modern methods of production so that the agriculture production can increase and there is improvement in income level of farmers.

Inadequate Support for Agriculture

- Supporting services for agriculture such as transport, storage, processing and marketing facilities are inadequate. The marketing infrastructure need to be further augmented, if diversification of agriculture and export of agriculture products need to be intensively promoted.

Rural Indebtedness

- Rural people were mainly depending upon money lenders, for meeting their credit requirement. Moneylenders exploited the farmers in a number of ways.

Urban-Oriented Development

- Most of the heavy industries both in public and private sector have come up in urban areas because of the availability of infrastructural facilities and backward and forward linkages in these centres and so the benefits from this growth have also accrued mainly to the urban population.

Migration of Rural Population to Urban Centres

- A large part of rural population migrates to urban areas every year, mainly in search of jobs. Very high percentage of urban migrants are poor and landless for whom, work opportunities in rural areas are limited/ negligible.

Rural-Urban Linkages

- Rural and urban areas play complimentary role in the overall economic development. Improvement of rural areas is important for its role as suppliers of raw materials and labour to industry and as consumer of industrial products.

Rural Development And Rural Management

Development is defined as the process by which, the members of a society increase their personal and institutional capacities to mobilize and manage resources, to produce sustainable and justly distributed improvements in quality of life consistent with their own aspirations.

Rural development means overall development of rural areas, with a view to improving the quality of life of the rural people. It includes development of agriculture and allied activities, village and cottage industries, socio-economic infrastructure, community services and above all, human resources in rural areas.

Development issue	Possible management intervention
Low per capita income of people	Plan and organize for rural non-farm sector activities
Fast depletion of green cover	Joint forest management
Soil and water erosion	Community watershed management
Lack of access to credit by the poor	Promote Self Help Groups

Key Issues Concerning Rural Management

Sustainable Development

- The World Commission on Environment and Development (The Brundtland Commission) defined sustainable development as the development that meets the needs of the present, without compromising the ability of future generation to meet their own needs.

Organizing for Rural Development

- The major question here is as to how to design and maintain effective organizations for rural development. Indian experience showed that the government organizations became bureaucratic, lacked responsiveness and entailed considerable leakages. Participation of people was lacking, resulting in dismal performance of the programs.

Facilitating Rural Development

- Facilitating rural development would involve leading, motivating, monitoring and controlling aspects of rural development management. Facilitation component of rural management would involve three major areas viz. **human resources development, infrastructure development and policy support.**

Components	Key areas requiring facilitation
Human Resource Development	Empowerment of people
	Leadership development
	Skill training
Infrastructure	Power, roads, transport
	Agriculture markets
	Banking network
	Social infrastructure like drinking water and educational facilities
Policy	Policy support and control

Marketing Management

The agricultural marketing involves three essential components – assembling, processing and distribution.

- **Objectives of Rural Marketing:** The objectives of rural marketing can be summarized as: **(a)** to give the best possible benefit for primary producers, such as, farmers and household industries; **(b)** to make available all rural products in the desired form and quality at reasonable prices and in adequate measure; **(c)** to reduce price spread between primary producers and ultimate consumers.
- **Characteristics of Agricultural Produce:** Perishability, Seasonality of Production, Bulkiness of Products, Variation in Quality of Production, Small Size and Scattered Production, Processing, Consumption Characteristics, Price Inelasticity

Deficiencies in the Agricultural Marketing System

- Exploitation by middle men
- Wide Price Spread
- Distress Sale
- Inadequate Storage
- Transportation Cost
- Absence of Grading and Standardization
- Lack of Market Intelligence
- Malpractices
- Capacity Building in Agricultural Marketing

Agricultural Produce Market Committee (APMC) Act

- Agricultural markets in the country are regulated by state **Agricultural Produce Marketing Committee (APMC)** laws.
- Under these state Acts, farmers are required to sell their produce at state-owned mandis. APMC mandis currently levy a market fee on farmers who wish to sell their produce in the mandis. This makes it expensive for farmers to sell at APMC

mandis. In addition, farmers have to arrange for their produce to be transported from their farms to the nearest mandi, which brings in costs such as transport and fuel. In transporting the produce from the farm to the store, several intermediaries are involved.

- The central government had released a **Model APMC Act** in the year 2003, suggesting its enactment by the states.

The Model Act provides for

- The direct selling of produce through contract farming,
- Permitting private persons, farmers and consumers to establish agricultural markets,
- Levying a single market fee on the sale of the commodity, and
- Replacing licenses with registration of market agencies, so that they can operate in more than one market, among other things.

Launching of eNAM: During the year 2016, GOI has launched the National Agricultural Market (NAM)- the electronic market, for providing opportunities to farmers for selling their produce for better price. The electronic portal, under the auspices of **NAM project (eNAM)**, is managed by **Small Farmers' Agribusiness Consortium (SFAC)**. In the eNAM platform, farmers can opt to trade directly on their own through the mobile app or through registered commission agents.

Developments in the recent years:

- **Amendments to the APMC Act by State Governments:** With the amendment of the APMC Act by the states, establishment of **Electronic Spot Markets** that allow online trading through **electronic commodity exchanges** have become possible.
- **Pledge Loan linked to Warehouse receipts:** Availability of finance against stored produce and improved knowledge on price risk management allows farmers and farmers' organizations to obtain better price realization for their produce.
- **E-Trading:** The following categories of virtual market **(a)** Futures Exchange **(b)** Spot Exchange **(c)** Warehouse Receipt System **(d)** ICT based Market Information and **(e)** Web Marketing provide the needed width and depth to the market.
- **Grading and Standardization:** The government has passed an act 'Agricultural Produce (Grading and marketing) Act', which empowers the Central Government to prescribe grade standards for agricultural commodities and livestock products.
- The **Directorate of Marketing and Inspection (DMI)** have prepared grade standards, for a number of agriculture commodities. Graded agriculture products bear the **AGMARK** label. The **Central Quality Control Laboratory at Nagpur** and its regional subsidiaries in various places collect samples of products from market, analyze them for chemical and physical properties, for the purpose of grading.

- **Use of Standard Weight:** The passing of standard Weight Act and adoption of metric system, facilitated uniformity and enforcement of standard weight, all over the country.
- **Storage facilities:** After agricultural produce is harvested, it requires a robust storage infrastructure in order to minimize any losses due to adverse weather conditions or in the process of transportation.
- **Initiatives for integration of production, processing and marketing:** Integration of production, processing, marketing is required for agricultural produce marketing, to facilitate prosperity of the rural producers.
- **Introduction of Negotiable Warehouse Receipt System:** The Negotiable Warehouse Receipts (NWRs), issued by the warehouses, registered under this Act, would help the farmers to avail loan from banks against NWRs and the NWRs will become a prime tool of trade. This will avoid distress sale of agricultural produce by the farmers in the peak marketing season when there is glut in the market.

GATT and Agricultural Marketing

- Government of India has taken a number of steps to promote international trade such as decentralization, liberalization of credit facilities and substantial reduction of tariffs. Probably, the most significant milestone is the signing of General Agreement on Trade and Tariff (GATT) by India along with 121 other countries, in December 1992, after the Uruguay round of talks.
- **TRIPS** is the most comprehensive international agreement on IP and it has a major role in enabling trade in creativity and knowledge, in resolving trade disputes over intellectual property, and in assuring WTO members the latitude to achieve their domestic policy objective.

Importance Of Agricultural Prices

Agriculture Price Policy

- Based on the recommendations of the Committee on Food grains Price, **the Agricultural Prices Commission** was set up in the year 1965, which was renamed as **Commission for Agricultural Costs and Prices (CACP)** in the year 1985. The Commission is expected to evolve a balanced and integrated price structure with due regard to the interests of both producers and consumers, and advise the Government of India on price policy of agricultural commodities.

Minimum Support Price

- Based on the recommendations of the CACP, the Department of Agriculture and Co-operation, Government of India, declares Minimum Support Price (MSP) for 24 crops before the sowing season. The idea behind MSP is to give guaranteed prices and assured market to the farmers and save them from the price fluctuations.

- It insulates farmers from the unwarranted fluctuation in prices, caused by the variation in supply lack of market integration, information asymmetry and other elements of market imperfection plaguing the agricultural markets. The guaranteed price and assured market are expected to encourage higher investment and in adoption of modern technologies in agricultural activities.

Other Pricing Mechanisms

- **Statutory Minimum Prices:** They are like minimum support prices. It is legally binding on the buyer to purchase the commodity at the announced price or higher. Statutory minimum prices are applicable to crops such as sugarcane.
- **Procurement Prices:** The price at which the government procures food grains or industrial raw material for maintenance of buffer stocks, feeding the public distribution system, is called the procurement price.
- **Issue Prices:** These are the prices at which, government provides certain specified commodities in the minimum needed quantity to the consumers through public distribution agencies like ration shops and fair price shops. They are generally lower than market prices.

Procurement option

- **Price Support Operations:** The Government agencies remain in readiness in the market and in the event of prices tending to fall below the support price, the farmers voluntarily offer their produce to the Government agencies. No target for procurement is fixed. The objective of procurement is to provide price support to the farmers.
- **Open Market Purchase:** The Government agency enters the market like any other trader and purchases the required quantities in competition with the traders.
- **Pre-emptive Purchase:** The Government reserves the first right of purchase at the price settled in the open market. The Government agency does not participate in the competitive bidding. When the price for a lot is settled, the Government agency has the right to step in and buy the given quantity at the price settled.
- **Monopoly Procurement:** In this method of procurement, the Government reserves the right of purchase from the farmers. The traders are not allowed to enter the market for purchase and sale. This method of procurement is adopted only when other methods fail.
- **Buffer Stocks:** A buffer stock of food grains refers to the stocks maintained by the Government, to cushion the shocks of fluctuations in supply and prices. The main advantages of maintaining buffer stocks of food grains are to impart stability to the food economy; reduce fluctuations in the income of food grains producers; stabilize the prices of food grains for consumers; and use it to save people from hunger, at the time of scarcity.

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