Economics of Rural Development

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Rural development is a concept, a phenomenon, a strategy and a discipline. The term is of focal interest and widely acclaimed in both developed and developing countries. There is however no universally acceptable definition and the term is used in different ways and in vastly divergent contexts. As a concept, it connotes overall development of rural areas with a view to improving the quality of life of rural people. In this sense, it is a comprehensive and multidimensional concept and encompasses the development of agriculture and allied activities --- village and cottage industries and crafts, socio-economic infrastructure, community services and facilities, and above all, human resources in rural areas. As a phenomenon, it is the result of interactions between various physical, technological, economic, socio-cultural, and institutional factors. As a strategy, it is designed to improve the economic and social well-being of a specific group of people --- the rural poor. As a discipline, it is multidisciplinary in nature representing an intersection of agricultural, social, behavioral, engineering, and management sciences.[1]

In the words of Robert Chambers, "Rural Development is a strategy to enable a specific group of people, poor rural women and men, to gain for themselves and their children more of what they want and need. It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of rural development. The group includes small scale farmers, tenants, and the landless."[2]

We shall define rural development as the process of developing and utilizing natural and human resources, technologies, infrastructural facilities, institutions and organizations, and government policies and programmes to encourage and speed up economic growth in rural areas, to provide jobs and to improve the quality of rural life. This process typically involves changes in popular attitudes, and in many cases even in customs and beliefs. The process of rural development must represent the entire gamut of change by which a social system moves away from a state of life perceived as 'unsatisfactory' towards a materially and spiritually better condition of life.

Rural development is the process of developing and utilizing two kinds of resources, natural and human, but this is not all. There are not only natural or human resources waiting to be exploited but equally vital things which must be utilized. In every society there are technologies. They also must be utilized. There are facilities stemming from infrastructure. They must be harnessed to achieve the goal. There are various institutions and organizations. They too, must be put to use. There is an all pervasive and powerful government armed with the various policies and programmes aimed at accelerating economic growth in rural areas. Rural development aims at creating and providing jobs. All these factors must lead to the improvement of rural life. When attitudes towards customs and beliefs are changed and the life of the people moves towards spiritual enrichment, the process of rural development encompasses the full circle and traverses the entire spectrum of rural life. The basic elements of rural development are the satisfaction of the basic necessities of life, the inculcation of a feeling of dignity and honour and the emancipation of people from servitude to nature and from slavery to other men.

There are subsidiary meanings also attached to rural development. It is presupposed that villages are suffering from poverty. If poverty is reduced or eliminated, we can assert that there is rural development. If there is inequality in rural life and this inequality is removed, we have rural development. If there is unemployment and measures have been taken to reduce or remove it, we have rural development. Dudley Seer says that the questions to ask about a country's development are: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing, it would be strange to call the result “development” even if per capita income doubled.

In an agrarian country, rural development is of prime importance. There is no national development without rural development and there is no rural development without agricultural development.

Rural development means development of agriculture as well as development of allied activities such as village and cottage industries, handicrafts, community services and facilities and economic infrastructure. It means development and utilization of human resources found in rural life. It stands for development and utilization of natural resources that are available in village life. It encompasses changes in the out look of the people. Existing beliefs are either displaced or considerably modified. Even customs prevailing in society and followed rigorously undergo alteration. There is a sea change in the spiritual life of the people when there is rural development.

Each factor in rural development is connected with every other factor. No one element leads to a self – sufficing existence. Each influences the other and is influenced by that other. Mr. Katar Singh has this to say: “The process of rural development may be compared with a trend in which each coach pushes the one ahead of it and is in turn pushed by the one behind, but it takes a powerful engine o make the whole train move. The secret of success in development lies in identifying and, if needed, developing a suitable engine to attach to the train. There are no universally valid guidelines to identify appropriate engines of growth, if at all they exist. It is a choice which is influenced by time, space and culture.” [3]

Some writers have given objective, clear cut criteria to identify whether there is rural development. One is urbanization which is an indicator of economic development. If towns increase in number and outnumber the villages, some economists think that there has been economic development. But this concept completely does away with the rural scenario. Another is industrialization. The advocates of this theory hold that if there is industrialization on a big scale, it can modernize agriculture and give employment to people rendered redundant by the application of machinery to agriculture. The logical conclusion of such thinking is to establish highly capital incentive and automatic enterprises. This is just aping the western model and going against the interest of one’s own country. There are many countries which have agricultural potential but acting under the notion that industrialization is the kernel of development, they do not exploit their agricultural potential and hence the basic needs of the people remain unsatisfied. Imports of food grains take place at a huge cost. Agriculture is trapped in stagnation. People become victims of malnourishment.

These theories militate against the standard concept of rural development. Agriculture must be developed. There are very powerful and cogent reasons to support this point of view. Industrialization cannot be sustained without the timely and sufficient availability of raw materials to many principal industries (e.g. jute, sugar and textile). A flourishing and prosperous agriculture also produces a surplus which is easily utilized in augmenting capital formation, the basis of industrialization. Sometimes agriculture supplies foreign exchange much needed by developing countries.

A large part of the population earns its livelihood through agriculture. In India nearly two-thirds of the people are dependent on agriculture. In the USA it is only 2% of the population that is dependent on agriculture. In fact, cases are on record where the USA government has paid its farmers not to cultivate the land and not to produce anything from it. In such a country, rural development does not matter at all.

Industry required laborers and they came from the agricultural population. When industrial development started, it required labourers but there were no labourers to be found.

The labourers were not free. They were tied to feudal lords. Hence laws were passed to free them from feudal bondage and servitude. But freedom was not enough. The labourers must join the capitalist factory. Here Government stepped in, passing several like the Enclosure Act, Vagrancy Act and Anti – beggary Act. The cumulative effect of these acts was that the labourers were compelled to join capitalist factories. When we come to survey Indian conditions, we find that industry is not plagued by shortage of labor but has an abundant supply. Agriculture can not absorb the labour which is available in rural areas. Hence rural development is an absolute necessity to give employment to the surplus agricultural population in the agricultural sector itself.

Rural development is a multifaceted and multi-dimensional endeavour. It has no single all-embracing goal. It has a plethora of goals and a multiplicity of measuring rods to assess it. If per capita real GNP increases, we can reasonably conclude that there is development. But we have to see whether this increase in GNP percolates to rural areas. Another measuring rod focuses its attention on expenditure. When there is high expenditure on civic amenities and facilities, we have development. If schools, hospitals, drainage, roads, parks etc. are constructed in the villages, then there is *real* development. All these things contribute to the well – being and welfare of the rural populace.

Models of Rural Development

Different countries have adopted different strategies to meet their goals of development. The USA developed on the basis of a free trade capitalist economy - a market economy. The erstwhile Soviet Union developed by diametrically opposed strategies. It championed the command economy. China, too, followed this path and adopted public ownership of property. Sweden adopted a third strategy. She combined capitalist and socialist elements, creating a mixed or welfare economy.

The classical, liberal view of development points out that market is central to development. It is the market economy which ideally optimizes economic welfare and development. Adam Smith in "Wealth of Nations" refers to an autonomous self-regulating economy and this economy is taken to be civil society. He advocates the segregation of civil society from the political jurisdiction of the state. This civil society has immense capacity for self-regulation and should be left unhindered. It has potential for achieving maximum benefits for all members of society who must be left free to pursue their own interests. Civil society must be made independent of the state. Hence development becomes synonymous with a negative state. Here development proceeds without any central direction. There are several features of this market model. The consumer is sovereign. Production is carried on in response to or anticipation of his demand.

It results in efficiency of production. In maximizing the consumer's welfare, the welfare of the entire society is maximized. This system automatically generates technological change and development. It is also conducive to securing equity in income distribution. This model pre-supposes that there is full employment in the society. If there is any unemployment, there are forces which spontaneously bring into play conditions for the creation of full employment. This model cannot exist without competition. If there is any interference in the operation of free competition, the benefits and advantages springing from this model perish.

The motivating factor behind the activities of the people is to secure material well being and economic gain. Without economic incentives, the market model breaks down.

In the present economic scenario, it is the USA which is the ideal representative of the market model. This country has been able to achieve rapid economic advancement by resort to this model. The economy is based on private ownership in a free market. There is an internal open market. Society is highly urbanized. Most of the under developed countries had this model when they were under colonial rule. But in reality this model served development for the imperialist country and caused under development for the colonies. Yet these countries, after securing freedom from alien domination, did not throw this model away but embraced it. Taiwan, South Korea, Indonesia, Brazil, for example, rolled out the red carpet for multi national companies and created a congenial political atmosphere. They provided docile, cheap labour. This they could do because authoritarian rule had been established in those countries. Such a rule can easily introduce unpopular decisions because there is no accountability to the people. The supporters of the market model believe that if under developed countries open up their economy, they will travel the road of development. At present this model is supported by some powerful and influential international organizations like the International Monetary Fund and the World Bank.

The next model of development is the welfare model which came into existence in the later half of 19th century and in the first half of the 20th century when the market model was exposed to many shortcomings and deficiencies.

It has led to the concentration of wealth in a handful of persons. It has led to monopoly capitalism. The market model laid stress on the importance of individuals but the welfare model endeavors to reconcile the interests of the individual with those of society. This model believes that development means insuring minimum social services to all members of society. When this happens, there is welfare for all. Development means development through the state. The market model banished the state. But this model invited the state and utilized it to modify the play of market forces in three directions. First, it aimed at guaranteeing a minimum income to individuals and families. It ignored the market value of their work or of their property. Secondly, it restricted the extent of insecurity by enabling individuals and families to face contingencies in life. It provided an umbrella to those who were sick, old or rolling in the abyss of unemployment. Thirdly, it made sure that all citizens got certain social services and in providing these, neither status nor class was taken into consideration. If Adam Smith was the father of the market model, J M Keynes was the initiator and formulator of this model. He pointed out that the economic anarchy of the market model could not ensure full employment or sufficient equality of income or wealth. Collective action was needed. The functions of the government must be enlarged. Public work programmes and low interest rates should be made instruments of the state's action. This model works within the market economy. It believes that poverty, dependency and economic insecurity are caused neither by nature nor by laziness, lethargy aor the incompetence of the poor but rather they are the consequences of the institutions of society..

This model gives great importance to the state as an agent of development and isopposed to the market model which holds that the state can advance the interest of the individual by leaving him alone. The welfare model believes that the state is a powerful vehicle which can be used for furthering the common interest. The state should remodel and reorganize the economy in the interest of the welfare of all its citizens. Translated into political terms, it means that only a democratic state can perform this task of development. A minimum standard of welfare must be ensured for all citizens. Welfare is not an abstract term. It has a concrete meaning. It means medical care, education and housing for all. The entire population should be covered by welfare schemes.

The nature of welfare differs from country to country. In England welfare is based on the principle of equal and flat rate benefits for all. In Germany welfare benefits are linked to jobs and benefits distributed in harmony with the salary. In the USA and Canada many schemes have been introduced but they do not fall under the category of welfare. India, too, has passed through the welfare model of statehood. The leaders felt that it was not possible to eradicate economic backwardness, illiteracy and poverty by remaining in the market model but that the welfare model was best suited for these purposes. It pursued four well defined goals. The first was freedom of the economy from its reliance on strategic imports and foreign aid - a goal of self sustained growth. The second was that the resources should be mobilized and capital accumulated to augment rates of saving and investment - the goal of achieving a high rate of growth. The third was reduction in social disparity - the goal of attainment of equality. The fourth was to give minimum conditions of subsistence and survival - a goal of equity and justice. Gunnar Myrdle has pointed out that planning by the state and central direction of the economy of the state are imperative if a country wants to enhance capital formation and productive investment, do away with non – essential imports, invest in economic and social overheads, obtain loans from other countries and make sure that the urge for private profit does not result in gross and dangerous inequalities. Hence we find that India laid stress on both production and redistribution of wealth. Critics of this model point out that it does not free the economy from recurrent cycles of boom and depression or ensure its citizens an adequate income to meet insecurities. It does not provide a stable and civilized life to its citizens.

The fourth model is the socialist model which believes that development is a social and secular question and a specific interest-laden problem. It tries to strike a balance between individualistic and collectivist ideas of development. There are several schools of thought. The Marxist model is one. The Soviet Union practised it and then jettisoned it. But it is being practised in Cuba, North Korea and China. This model is based upon the public ownership of the means of production and on centralization of all sectors of the economy. There is a central authority which takes all economic decisions. It controls the market internally and externally. Emphasis is placed on heavy industries. The important instrument of achieving goals is planning which acquires the status of law. Social welfare is determined by central planning. This model of development did wonders. It transformed a backward agrarian society into an industrial one. The Soviet Union became a super power in the 20th century.

When we come to the Gandhian model, we find that it is based on a philosophy fundamentally different from the ideas and principles of the western model. It is a product of the Indian soil. It hears the imprint of local conditions and needs.

R C Vermani says “The Gandhian view of development is radically different from the western model of development. It was based upon his metaphysical idealism with emphasis on the supremacy of ethical values and a moral approach to the problem of development. It was a plan of political, social and moral reconstruction and a critique of the western model of development based essentially”. [4]

The proponents of the western model of development approach the problem from an economist’s point of view. For them the paramount consideration is economics. They feel that economic factors constitute the core of development. In the opinion of Gandhiji, development based on economics and economics alone is no real development. Gandhiji adhered steadfastly to the view that real development is moral development which takes place when a person pursues truth and passes through the highways of love and non – violence. Truth left to itself is sterile. When suffused with love and accompanied by non – violence, it performs miracles.[5]

Gandhiji had a clear cut criterion to judge an economic policy. If it was detrimental to the moral health of an individual or nation, then that economic policy was immoral and sinful. Gandhiji never assessed development in terms of money.

Modern economic theory states that development means reduction of poverty or removal of extreme poverty. Gandhiji too, was fully in favour of improving the material conditions of the masses and raising their standard of living but he saw several social barriers which create stumbling blocks to such a goal. Gandhij wanted to abolish untouchability and ameliorate the conditions. Like all modern economists, Gandhiji wanted to increase production but he was against industrialization and large scale mechanization. Gandhiji believed – and it is also a fact – that the use of machines in all spheres and on a large scale creates a huge army of unemployed. Unemployment means no work and no wages and the immediate result is skating on the verge of starvation. Further, an unemployed person becomes morally degraded and loses confidence in himself and trust in the goodness of the society. The use of machines ultimately leads to moral degradation.

Gandhiji realized that the character of India's economy is rural and so rural life needs to be regenerated. "India is to be found not in its few cities but in 7 lakh villages. But the town dwellers believe that India is to be found in its towns and the villages were created to minister to the needs of the towns. We have hardly paused to inquire if those poor folk get sufficient to eat and clothe themselves with and whether they have a roof to shelter them solves from sun and rain" (Harijan - April 4 1936).

In Mahatma Gandhi's eyes, rural development is an urgent necessity. The future of the country depends on it. In his Samagra Gram Seva, he took a comprehensive and all embracing view of the regeneration of the villages. The kind of development which he wanted had a variety of dimensions - spiritual, moral, economic, political and social. He "expounded his scheme of constructive programmes which is called Gandhian Blueprint for micro-building from the grassroots' level and bottom up by using the local resources as the main planks of his approach for resurrecting the rural areas leasing to self-reliance and self-sufficiency in rural communities".[6]

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