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## Role of Rural Institutions and Banks in Rural Development

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Rural development has made changes in its approach and focus over a period of ten Five-Year plans. Varieties of objectives constituted our Five-Year plans depending upon the concern of the time. For example, development of rural economy, improving agricultural production, reducing disparities, development with social justice, poverty alleviation, employment generation, human development and so on, ultimately aiming to usher in self-reliance. The approaches also made changes from area development, target group to integrated rural development. Currently, the main focus is on poverty eradication, improving agricultural production, employment generation—either asset-based, skill-based or wage based employment and also to improve the quality of life of rural people in terms of provisions of health, nutrition, education, drinking water, roads and housing. However, the expectations as enunciated in the policies fell short of achievements for varied reasons though money was not a constraint after the Sixth Plan. In between the country had to cope with natural catastrophes like drought, floods, earthquake, cyclone, tsunami apart from

man-made disasters and manage its ill effects with relief and rehabilitation of affected people. This kind of happenings slow down the process of development efforts, one of the contributing factors for success or failure of our development efforts could be the way institutions, meant for implementation of the variety of programmes, functioned in a given context.

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In the process of rural development, it was envisaged particularly after late seventies and early eighties to work out partnerships with banks, NGOs and other international agencies to augment the process of development. In poverty alleviation programmes the banks have a crucial role to play by providing a major chunk of the project cost with subsidy being contributed by the government. The NGOs were expected to serve as link-pins between the government agencies, banks and people through mobilizing the people, creating awareness of the policies, programmes and procedures and provide post-scheme loan support and guidance. They were supposed to play the role of catalyst or facilitator of the development process. Banks were supposed to provide the financial input as envisaged and participate in this endeavour along with other agencies of the government. Though all the agencies created by the government like DRDA, DIC, KVIB, KVIC, Panchayat Raj bodies were aware of their respective roles in augmenting the process of development, and heeded but, this did not result in commensurate measures as per expectations. The banks and NGOs are also aware of their roles as there were plenty of guidelines for this purpose both issued by the government and the apex banks periodically but could not yield results. Even today people are discussing how the banks should be involved and motivated to participate in the development process and what could be the factors hindering their active involvement in this endeavour.

The government agencies feel that unless the banks participate effectively by making loans available on time, it is difficult to achieve results. Therefore, it is not a question of not being aware of the respective roles each of these institutions have to play or warrants any fresh guidelines about the roles they have to play in context of implementation of rural development programmes.

The problem is ineffective role performance as a consequence lack of motivation and attitudinal changes among the incumbents of these institutions. There is more of role confusion as each one expects the other to first what is expected of his organization. Coordination within the government institutions and sectoral departments and also with other participating institutions has been a perennial problem. The misfortune is everyone seems to be interested in rural development but it is difficult to see a worthwhile effort in implementing a given programme in letter and spirit. A effective programme implementation requires a cooperative and coordinated effort between the government agencies, banks and NGOs in creating awareness about the programmes, benefits provided, procedure for availing it, helping identification of schemes relevant to a given area and matching the schemes with the felt needs of the targeted people, help in grounding the scheme and take follow-up action and help in marketing the produce to get a reasonable price. If this coordinated effort could be managed, the exploitative role of the moneylenders, traders could be eliminated. The exploitation by middlemen, moneylenders and traders has led the farmers to a large extent to commit suicides. The question is if all the multiple agencies which are interdependent had worked unitedly by effectively converging their services at the delivery level, whether most of the suicides could have been prevented. Therefore, role identification is a futile exercise unless the role incumbents are thorough about their role expectations and methods of converting them into action. This calls for a change in their outlook among all those involved in the process of development in terms of their values, attitudes, motivations and concern for the poor. It requires dynamism in role performance rather than a static approach. If the policies and programmes are dynamic, it requires a dynamic personnel in these organizations to convert the policies into action.

If these are the organizations created for the purpose of rural development, then let us now have a look at the major issues of concern for development at large and expect these organizations to help in resolving these issues.

### **Methods to Accelerate the Process of Development**

In the context of globalization, one has to move faster in all our productive endeavours and improve upon the quality of our products to meet the world standards to be recognized as a competitor and to find markets for our products. Adoption of modern technology and technological innovations can facilitate the process of faster development. New technologies will lead to healthier lives, greater social freedom, increased knowledge and more productive livelihood. Technology is a tool and not a just a reward for growth and development. Technology is created in response to market pressures not the needs of the people who have little purchasing power. Technology has a multiplier effect creating a vicious circle, increasing people's knowledge, health and productivity, raising income and building capacity for future invention, all leading to human development. Education and skills are required to use technology effectively. Rapid growth is the main instrument for poverty alleviation.

### **Environmental Management**

People and environment have a close affinity, as one supports the other. However, over a period of time, exploitation of the natural resources beyond a limit has affected both the environment and the people. In India, the forest cover is expected to be 33 per cent of the total geographical area but now it is below 20 per cent with wide variations across the states. The afforestation programmes have been taken up with peoples' participation making little progress.

### **Emphasis on Poverty Alleviation**

The right to be free of the crushing burden of poverty must be counted among the most fundamental of human rights. Poverty is embedded in all realms of existence of the poor people and extends beyond income. As per the official statistics (1999–2000), 27 per cent of the people are below the poverty line. These percentages keep varying from time to time and from one state to another.

Though a variety of special programmes have been implemented for the identified target groups, the results are far from satisfactory. The percentage of people below the poverty line seem to be bulging as years roll by.

### **Human Resource Development**

During the late seventies, India showed concern for HRD including women's development and their empowerment along with the weaker sections of the society. India's rural literacy is 59 per cent and women literacy in the rural areas is 47 per cent. In the context of globalization, in order to make people capable of becoming active participants in the productive process absorbing new technological innovations, it is essential to have minimum education coupled with the needed knowledge and skills as these have a premium in the developmental process, particularly with the onset of information technology. Our educational system needs to gear up to this gigantic task of spreading literacy and augmenting the learning process by identifying, processing and disseminating the required information and skills to the people to create the knowledge base to facilitate the developmental process. Health, nutrition and family welfare are the other areas of concern for HRD as it provides the physical base to meet the competition around the world.

Based on these larger issues, the current rural development should encompass decisions on the following issues:

#### ***Employment Generation***

What kind of employment should be provided to those in need—whether it is asset-based (gainful), wage-based, or skill-based or an effective combination of these for effective sustenance at a particular level of employment as experience has it that each one by itself may not guarantee movement of the people above the poverty line. It may be worthwhile to consider a combination of wage and gainful employment for those above 40 years and wage and skill-based employment for those below 40 years, more particularly for the unemployed rural youth. Now the National

Employment Guarantee Scheme is being implemented to provide some solace temporarily to those who are unemployed.

### ***Infrastructural Development***

Programme support in terms of facilities and services like for inputs (in agriculture and industry), finance (effective credit system), marketing are a prerequisite for achieving the expected goals. The President's initiative in regard to providing urban amenities in rural areas (PURA) holds promise well for the future.

Providing for social consumption needs such as health care, nutrition support, education, safe drinking water, housing and family welfare. This need not be overemphasized as in rural areas, all these are still wanting much more than what could be provided over the previous Five-Year Plan periods.

### ***Institutional Support for Sustainable Development***

To what extent the government and its variety of agencies, Panchayat Raj institutions, NGOs can provide the needed support in not only identifying the problem areas, removing the bottlenecks and implementing the programmes as per the policy guidelines for the benefit of those for whom they are intended. As of now, there seems to be quite an amount of overlap in the functioning of these organizations and hence a convergence of these institutional arrangements at the grass-roots level is a requirement for effective programme management to achieve the desired results. Along with democratic decentralization, administrative decentralization is a prerequisite as people at the grass-roots level are better judges of what needs to be done and how it has to be done.

Apart from this, these institutions should provide the social support to the targeted groups which means verbal and non-verbal communication that reduces people's uncertainty about themselves, the situation or their relationships with the support providers and thus enhances their sense of control over their destinies.

### ***Human Development***

The major focus of rural development from the context of globalization should be human development. The focus of the eighth Five-Year Plan was on human development. People are the crucial but most unpredictable variable of development among all other variables influencing its process. The effort should be to develop the human capital facilities to acquire knowledge and skills through education and training coupled with information technology to act in new ways, and social capital socially structured relationships between individuals and groups to achieve individual and community goals supported by knowledge and responsibility-based empowerment. People often seem to be apathetic or powerless because of temporary lack of awareness, confidence and competence to take action to effect change. Poor people are characterized by a thwarting of need gratification and yearning for self-expression, a feeling of abasement, a morbid dependence on others, lack of confidence and trust in their inner resources, jealousy and hatred against the real and perceived others (officials or leaders), for their plight. The ecology of poverty is conducive to lack of stimuli essential for proper human development. Self-defeating behaviour usually stems from people unable to identify alternate ways of behaviour. Development is fundamentally a learning task. People at the community level need to acquire new skills required for development, not just to receive new information. The ultimate aim of human development is to develop people's competence (knowledge and skills) and commitment (confidence and motivation) and positive attitudes to change. The purpose of information giving process should be to convince them about the need for change, effect the change, get them to commit to the change and finally to convert them to new ways of thinking, feeling and doing oriented to further development.