CHAPTER - 2

NEED FOR RURAL DEVELOPMENT IN INDIA
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The thesis is an attempt at analysing the role of "weekly village markets" in rural development in India with reference to the operations of the weekly village markets in Dakshina Kannada. It is appropriate to begin such a study with a discussion of the need for rural development in the country and an attempt is made, in this chapter, to highlight the need for rural development in the country and at discussing the important models of rural development put forward by different economists from time to time. However, since rural development in a country is only an aspect of its overall economic development, a study of rural development should begin with a discussion of the concept of economic development itself.

Economic Growth: A distinction is often made between "economic growth" and "economic development". While according to Kindleberger, "Economic growth means more output", for Kuznets the economic growth of a country is a situation of "a sustained increase in per capita or per worker product most often accompanied by an increase in

population and usually by sweeping structural changes. Apart from the availability of adequate resources, the rate of economic growth of a country is influenced by the attitudes of the people such as "attitudes to work, to wealth, to thrift, to having children, to invention, to strangers, to adventures and so on, and all these attitudes flow from deep springs in the human mind."

Economic growth brings in its wake important social, institutional and organisational changes. A rise in national and per capita output is implicit in economic growth. This increase in income results in its turn, in larger savings, increased capital formation and technological development. Rise in the per capita availability of capital resources, improvement in the skill, efficiency and earning power of labour, better organisation of production, development of means of transport and communications, growth of financial institutions, urbanisation, rise in the standard of health and education, higher life expectancy, greater leisure and increased recreation facilities and the widening of the mental horizon of the people etc., are changes which accompany and characterize the


economic growth of a country. Thus, statistical data relating to natural resources, incomes, capital equipment per head, productivity of labour, the rate of savings, distribution of national income, rate of population growth etc., constitute the basic factors for analysing the causes and nature of the economic growth of a country. It should, however, be mentioned that while some of these factors like income and capital etc., can be assessed in quantitative terms, some others, which are equally important in the process of economic growth, are of qualitative nature and as such their significance to the process of growth cannot be directly estimated.

Meaning of 'Economic Development': The concept of 'economic development', on the other hand, is used to imply a process of economic change brought about by human effort through deliberate measures at increasing the real national income and standard of living of the people in a country.

According to Meier and Baldwin, economic development, "is a process whereby an economy's real national income increases over a long period of time". The same criterion is found

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to be adopted by other writers in defining economic development.

However, a mere increase in the national income, even in terms of real national income, cannot in itself be taken as an indicator of the economic development of a country since, it is possible that the increased national income of a country in the process of economic development is offset by a corresponding increase in its population, as often happens during the initial stages of economic development of a country. Hence economists have preferred the per capita income criterion.


6. Between 1951 and 1981, for example, the real national income of India has increased by 190.93 per cent, which is accompanied by a growth of population of the order 89.13 per cent, so that the increase in the per capita income and standard of living of the people of the country during the period is much less than the rate of increase in national income.
of defining economic development to the national income criterion. For instance, Meier defines economic development as "the process whereby the real per capita income of a country increases over a long period of time." The same criterion is found to be used by other writers as well in defining economic development.

Even the use of the per capita income criterion may not be a definite indicator of the economic development of a country since such increase in per capita income can come about not by an increase in the national income of a country but by a decrease in its population. Such an increase in per capita income resulting out of a decrease in the country's population cannot be indicative of the economic development of a country, on the contrary it is an indicator of the country's economic decay. Further sporadic and temporary increases in per capita real income, as often happen during periods of favourable monsoon and climatic conditions in an underdeveloped and predominantly agricultural country cannot be termed economic development.

"A reliable indicator of economic development, therefore, calls for a combination of both the 'per capita income' and the 'total national income' criteria. Economic development can then be defined as a process of steady increase in the aggregate real national income of a country at a rate sufficient to offset the rate of growth of its population so as to result in a sustained increase in the per capita real income of the country. This definition has the advantage of allowing for both growing population and rising standard of living in a country.

**Economic Progress:** The concept of economic progress is wider and more comprehensive than the concept of economic development. Even an increase in the real per capita income of a country may fail to indicate the real economic conditions of its people because it is possible that the high level of per capita income reached is not accompanied by an improvement in the distribution of income so that large sections of the society lack even the necessaries and minimum comforts of life. Economists have therefore developed the concept of economic progress in order to take into consideration the distributional and other qualitative aspects.

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aspect of economic development. According to this trend of thought, economic development should lead to an overall economic progress and reduction in mass poverty which are not indicated by the aggregate and per capita income measures. Such an economic progress "calls for not only an increase in the aggregate national income of a country but also for an improvement in the nature of distribution of income among the different classes of society. This idea is summed up by the theme 'economic development with social justice' which is the central objective of economic planning.

10. Economic development can also take place with the help of technological innovation and adaptation. Here the entrepreneur plays a significant role. He carries out new combinations including: (i) the introduction of new goods, (ii) the introduction of new methods of production, (iii) the opening up of new market, (iv) the conquest of new sources of supply, and (v) the carrying out of new organisation, which are necessary to promote economic development. See Schumpeter J., The Theory of Economic Development. Harvard University, (1951) p.66.


Economic development should, therefore, lead to both a quantitative increase in real income - both aggregate and average - and qualitative improvement in its distribution so as to make it meaningful and relevant to the needs and problems of a presently developing country like India.  

In order to capture the qualitative aspects of economic development, economists have recently developed an index of economic development called the 'Physical Quality of Life Index'. The physical quality of life index considers various qualitative aspects of development such as nutritional standards of the people, health facilities, infant mortality and life expectancy and standards, literacy and educational levels, levels of housing and clothing facilities etc., all of which go to improve and indicate the physical quality of people, which is the ultimate objective of economic development.

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According to the physical quality of life index developed by the Overseas Development Council (ODC), the physical quality of life index (PQLI) is the simple average of life expectancy at age one (converted into an index number) infant mortality rate per thousand (converted into an index number) and percentage of literacy.

A hint at the need for the physical quality of life index can be found in Higgins when he writes "faced with great differences among underdeveloped countries and the inadequacy of any single criterion for spotting them, some writers have resorted to typologies based upon composite indices of 'levels of living'. Indeed, the United Nations Statistical Office has suggested a composite index including health, food consumption and nutrition, education, employment and conditions of work, housing, social security, clothing, recreation, and human freedom". Higgins B., Economic Development: Problems, Principles and Policies. W.W. Norton Co., New York (1968) p. 14.


Economists have attempted to assess the superiority of the physical quality of life index over the real GNP and the per capita real GNP indices of economic development of a country. A comparison of PQLI for some major countries in the early seventies is afforded by Morris D. Morris. Table 2.1 contains the ranking of a few selected countries in terms of GNP and Physical quality of life index as done by Morris D. Morris.

<table>
<thead>
<tr>
<th>Country</th>
<th>Per capita GNP (US $)</th>
<th>PQLI Rank</th>
<th>Per capita GNP Index</th>
<th>PQLI ranking from lowest to highest 150</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>92</td>
<td>35</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>India</td>
<td>133</td>
<td>43</td>
<td>19</td>
<td>53</td>
</tr>
<tr>
<td>Tanzania</td>
<td>154</td>
<td>31</td>
<td>23</td>
<td>33</td>
</tr>
<tr>
<td>Pakistan</td>
<td>155</td>
<td>38</td>
<td>24</td>
<td>45</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>179</td>
<td>82</td>
<td>26</td>
<td>100</td>
</tr>
<tr>
<td>Indonesia</td>
<td>203</td>
<td>48</td>
<td>29</td>
<td>63</td>
</tr>
<tr>
<td>China</td>
<td>300</td>
<td>84</td>
<td>43</td>
<td>82</td>
</tr>
<tr>
<td>South Korea</td>
<td>464</td>
<td>82</td>
<td>60</td>
<td>99</td>
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<td>Cuba</td>
<td>640</td>
<td>84</td>
<td>77</td>
<td>109</td>
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<td>Brazil</td>
<td>912</td>
<td>68</td>
<td>87</td>
<td>79</td>
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<tr>
<td>Mexico</td>
<td>996</td>
<td>73</td>
<td>89</td>
<td>87</td>
</tr>
<tr>
<td>Iran</td>
<td>1260</td>
<td>43</td>
<td>98</td>
<td>54</td>
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<tr>
<td>Yugoslavia</td>
<td>1341</td>
<td>84</td>
<td>102</td>
<td>105</td>
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<tr>
<td>Singapore</td>
<td>2111</td>
<td>83</td>
<td>113</td>
<td>103</td>
</tr>
<tr>
<td>U.S.S.R.</td>
<td>2380</td>
<td>91</td>
<td>120</td>
<td>125</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>3529</td>
<td>29</td>
<td>126</td>
<td>31</td>
</tr>
<tr>
<td>Israel</td>
<td>2879</td>
<td>89</td>
<td>127</td>
<td>120</td>
</tr>
<tr>
<td>U.K.</td>
<td>3568</td>
<td>94</td>
<td>128</td>
<td>142</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>7024</td>
<td>94</td>
<td>145</td>
<td>141</td>
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<tr>
<td>Sweden</td>
<td>7668</td>
<td>97</td>
<td>150</td>
<td>150</td>
</tr>
</tbody>
</table>

Source: Adopted from Morris D. Morris, Measuring the condition of the world's poor (The PQLI), Pergamon Policy Studies, published for the ODC (1979); Appendix, pp. 128-135.

It can be observed from the data that while the countries which rank high in the scale of economic development in terms of per capita GNP, also have a high rank in terms of PQLI; the countries which are low in the scale of economic development in terms of per capita GNP are found to be having a fairly high rank in terms of PQLI. This implies that in the case of developed countries per capita GNP as well as PQLI indicate the same trend, whereas in the case of the poorer countries PQLI indicates a higher level of development than that is indicated by the per capita GNP index. For example, India had a per capita GNP index of only 19 in Morris Table while it enjoyed a PQLI ranking index of 53.

From this it is pointed by some economists that the PQLI does not indicate anything different from that indicated by the per capita GNP criterion since the countries which have a high ranking in terms of PQLI enjoy a high
ranking in terms of per capita GNP also. However, the PQLI has the advantage of including in it the qualitative aspects of economic progress, which can not be easily included in the GNP index of economic development.

17. Morris admits this when he stresses that PQLI does not measure economic growth. It is just an expression of the result of combined public and private activity whether or not measured in the system of national accounts. It does not specify normal or optimum pattern of development, Quoted in Development and Welfare Indicators: A critical Appraisal, Birla Institute of Scientific Research, Economic Research Division,, Allied (1982) p.48; On the basis of statistical evidence Larson A. David and Wilford T.W. concluded that the PQLI, captures very little about the quality of life that is not already included in GNP/C and their results suggest that the PQLI is closely associated with GNP/C. See Larson A. David and Wilford T.W., Op.cit., (1980) p.64; Larson, by a test on the stability of the structure of the relationship between the PQLI and GNP/C. He concluded that the direct relationship between PQLI and GNP/C holds for relatively low per capita income countries and there is no statistically significant relationship between the two for richer countries. See, Larson A. David., 'A Test of the Stability of the Relationship between the Physical Quality Life Index and Gross National Product Per Capita'. The Indian Economic Journal Vol. 32, 3, April-June 1985 pp. 1-7.
Requisites of economic development: Rapid increase in the real GNP accompanied by an increase in the per capita real GNP of a country is crucial to the economic development of an underdeveloped country. Such an increase in GNP requires the fuller utilisation of the available economic resources of the country in the form of population, land and other natural resources. In most of the underdeveloped countries non-availability of sufficient capital resources prevents the fuller exploitation of other economic resources for productive purposes. Hence a high rate of capital accumulation is necessary to bring about the rapid economic development of an underdeveloped country. But as was observed by Nurkse, availability of capital is a necessary but not a sufficient condition for economic development. Rapid economic development of a country requires, in addition to capital accumulation, a large number of other complementary factors such as favourable attitudes of the people.

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19. According to Lewis these attitudes of the people are, attitude to work, to wealth, to thrift, to having children, to invention, to strangers, to adventures and so on. See Lewis W. A., (1972) Op. cit., p.13.
favourable social and political conditions, developed financial and other infrastructural facilities, market perfections and other conditions which are favourable to high rates of capital formation and are conducive to high levels of productive activity. Among the many factors which influence the rate of economic development of a country, the nature and extent of development of marketing facilities is a significant factor that needs further elaboration in view of the fact that this thesis is a study of the role of marketing in bringing about rural development.

20. Nurkse has rightly pointed out that economic development has much to do with human endowments, social attitudes, political conditions and historical accidents. See Nurkse R., Op, cit., p.1.

21. Provision of economic and social overhead facilities, bringing about institutional and organisational changes, augmenting the supply and increasing the mobility of the factors of production and direct participation in industrialisation and help to private industries are the direct services of the state which help economic development. See Singh D. Bright's Economics of Development, with special reference to India, Asia Publishing House, Bombay (1966) pp.543-553.

The significance of the market in the economic development of a country can be realised when one observes that the economic development of the Western developed capitalist economics was brought about through the operation of market forces, what is technically called the 'market mechanism'. The market mechanism ensures not only the fuller utilisation of economic resources but also fuller satisfaction of human wants by encouraging the use of economic resources in those lines of production desired by the people. Such a development however requires the perfect operation of the market mechanism. This implies that government policy should be such as to overcome the various imperfections prevailing in the market.

An important requirement of economic development is that market imperfections should be removed. The market imperfections restrict the mobility of factors from less productive employment to more productive employment, handicap the expansion and development of domestic market and limit the impact of one sector on the other sector. Therefore, it is of paramount importance that social and economic organisations with progressive outlook, be set up to remove market imperfections. Within the existent state of knowledge and the amount of resources, the opportunities for greater production be exploited, and the knowledge about the market opportunities be extended. The influence of monopolistic
practices must be minimised. The structure of capital and money markets should be widened so as to provide greater credit facilities to the agriculturists, small traders, and petty businessmen, because all these form the basic bone of a developing economy.

Removal of market imperfections is very essential to achieve optimum and rational allocation of resources and for accelerating the pace of economic development. Market imperfections cannot be removed by the fine adjustment of existing resources in different uses, but can be removed only by the dynamic utilisation of resources and other structural changes. In other words, the major requirement is to push the production frontier outwards rather than merely reach a given frontier. As Prof. Schultz has rightly observed in this context, "To achieve economic growth of major importance in such countries, it is necessary to allocate effort and capital to do three things: increase the quality of reproducible goods; improve the quality of the people as productive agents; and raise the level of the productive arts." The removal of market imperfections is necessary if capital accumulation is to be speeded up and if development in one sector

is to spill over to other sectors.

Rural Development: Economists have recently developed the concept of 'rural development' which highlights the need for improving the living conditions and standards of the large sections of the population of the underdeveloped countries of the world living in the rural areas. The term 'rural' refers empirically to populations living in areas of low density and to small settlements. There are wide variations in the cutting point used operationally to distinguish rural from urban. There is even less agreement on the qualitative attributes that distinguish a rural from urban community or society. 'Rural' has been defined in terms of one or more empirical attributes, and by the two combination. The methodological and theoretical problems in the definition of the concept "rural" are similar to those in the definition of "urban" and in the use of constructed types in general. Occupational demographic, ecological, social, organisational and cultural characteristics have all been used as defining attributes. See International Encyclopedia of the Social Sciences, David L, Sill (ed) Vol.13 (1968) p.582. According to the census of India 1981, the basic unit for rural areas is the revenue village which has definite surveyed boundaries. The revenue village may comprise several hamlets but the entire village has been treated as one unit for presentation of data. In unsurveyed areas, like villages within forest areas, each habitation area with locally recognised boundaries within each forest range officer's beat, was treated as one unit. For treating a place as urban, the following criteria were adopted: (a) All statutory towns, i.e., all places with municipal corporation, municipal board, cantoment board or notified town area etc., (b) All other places which satisfy the following criteria: (i) A minimum population of 5000; (ii) 75% of the male working population engaged in non-agricultural (and allied) activity; and (iii) a density of population of at least 400 per sq. km (1000 per sq. mile). A town with a population of one hundred thousand and above was treated as a city. See Census of India 1981., Series-I, Part-II-A(i).p.13. According to the 1981 census, there are 17 cities in the district of Dakshina Kannada. Out of which 13 are either Municipalities or Corporations and there are 635 villages in the district. See Statistical outline of D.K.District 1983-84(Karnada), District Statistical Officer of D.K. District, Mangalore (1985) p.1.
The concept of rural development has been defined by several writers and authorities in different ways. All these views lack one or other aspects of rural development since a development programme is something different and it is not a mere sum of the changes in a single sector. Nonetheless, it must be defined in terms of various aspects. Hence a comprehensive definition can be that of the World Bank Sector Paper on Rural Development, where rural development is a "process aimed at improving the well-being of people living outside the urbanised areas". According to Shah, rural development is a "process aimed at improving the well-being of people living outside the urbanised areas", Shah S.M., Rural Development Strategies in Rural Development Planning and Reform, Abhinav, New Delhi (1979) p. 46, To Anker, a working definition of rural development might be somewhat as follows: "Strategies, policies and programmes for the development of rural areas and the promotion of activities carried out in such areas (agriculture, forestry, fishing, rural crafts and industries, the building of social and economic infrastructure) with the ultimate aim of achieving a fuller utilisation of available physical and human resources and thus higher income and better living conditions for the rural population as a whole, particularly the rural poor, and effective participation of the latter in development process". Desmond L.W., Anker, "Rural Development Problems and Strategies", International Labour Review, Vol. 109, (1973) pp. 61-62.

development is defined as "a strategy designed to improve the economic and social life of a specific group of people - the rural poor." It involves extending the benefits of development to the poorest among those who seek a livelihood in the rural areas. The group includes small-scale farmers, tenants and the landless. The achievement of World Bank endorsement and propagation of this definition should not be underestimated. It goes further than what many critics of the World Bank might have believed possible. Strategies are designed, unless otherwise stated by the powerful, and it is the poor that they too are in need of benefits of development. This side of rural development is important. Development means both quantitative and qualitative change. More rural development essentially means desired positive change in the rural areas - both in quantitative and qualitative aspects. It is a complex term which integrates a variety of elements of human life and activities which include social, economic,

27. A complementary definition on rural development is given by Chambers, who defines, rural development, "it is a strategy to enable a specific group of people, poor 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 development. The group includes small scale farmers, tenants and the landless". Robert Chambers, Rural Development; Putting the Last First, Longman, London (1993) p.147.
technological, natural and other aspects. Hence, the term rural development can be defined as a steady process by which the real standard of living and economic welfare of the rural people improves over a period of time. This group includes women, children, small-scale farmers, tenants, the landless and the socially underprivileged sections of the society.

Need for Rural Development in India: The Indian economy is predominantly rural in character in the sense that 76.3 per cent of the population of the country in 1931 was rural in character as against 82.7 per cent in 1951 as is evident from the data contained in Table 2.2. Hence, rural development is necessary in order to make the benefits of rapid economic development reach the majority of the Indian population.

Besides, rural development is also necessary in order to make rural life attractive to the people so that the rate at which urbanisation is taking place in the country is slowed down. Urbanisation involves heavy cost in the form of expenditure required to provide different types of facilities like housing facilities, supply of drinking water, health and sanitation facilities, education facilities etc., apart from the heavy social cost involved in the form of urban pollution. Rural development will slow down the
rate of urbanisation in the country and will avoid or at least reduce such costs of urbanisation.

### Table 2.2

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<tbody>
<tr>
<td>1951</td>
<td>361</td>
<td>299</td>
<td>62</td>
<td>82.7</td>
<td>17.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1961</td>
<td>439</td>
<td>360</td>
<td>79</td>
<td>82.0</td>
<td>18.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1971</td>
<td>548</td>
<td>439</td>
<td>109</td>
<td>80.1</td>
<td>19.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>659</td>
<td>502</td>
<td>156</td>
<td>75.3</td>
<td>23.7</td>
<td></td>
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</tr>
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</table>

Note: * excluding Jammu and Kashmir and Assam


In view of the above rural development is considered to be important in the country and various measures are being initiated by the Government, under the successive Five Year Plans to promote rapid rural development in the country.

Models of Rural Development: Various models of rural development have been developed by different thinkers and economists from time to time. While some of these models are developed specifically in the context of the need for
rural development in India, others are of a general nature that are applicable to similar other countries. These models are being briefly reviewed in the following pages.

Gandhian Approach: M.K. Gandhi was the first writer to stress the need for rural development in India. Gandhi’s approach was simple and clear. Decentralisation of every activity is the main idea of Gandhi in developmental activities. His concept of decentralisation "is the product of the harsh realities of man's social, political and economic life"28.

The Gandhian model of decentralisation is based on two fundamental values — Swaraj and non-violence. Swaraj means, "self-rule and self-restraint, and not freedom from all restraint which 'independence' often means"29. Swaraj promotes individual autonomy for self-realisation and creativity. To Gandhi, such autonomy is provided to all individuals without any distinction. He clearly says, "The swaraj of my... over... dream recognises no race or religious distinctions. Nor is it to be the monopoly of the lettered persons nor yet of moneyed men. Swaraj is to be

for all, including the farmer but emphatically including the maimed, the blind, the starving toiling millions.  

For a full view of decentralisation of Gandhi may be put into seven broad components as follows: (a) self-contained village and its relation with the city; (b) individual autonomy and integration for social progress; (c) oceanic circle; (d) village community and village government; (e) political decentralisation linked with decentralisation; (f) technology for decentralisation; and (g) dedicated village worker for village movement.

Gandhi built up his theory of decentralisation on the foundation of self-contained villages. To him, truth and non-violence can be realised only in the simplicity of village life rather than in a factory civilisation of urbanised India. Decentralisation implies self-contained villages where a village must be in a position to grow its own food crops and cotton for cloth. The village will have its own waterworks for clean water supply. Besides, it must have a playground, a theatre, school and public hall. Thus, Gandhi’s theory of self-contained village also envisages the cultural enrichment of rural life. To Gandhi, the healthy relationship between the city and the village

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will be maintained on the following principle: "Under my scheme nothing will be allowed to be produced by the cities which can be equally well produced by the villages. The proper function of cities is to serve as clearing houses for village products." As analysed by Ganguli,

Gandhi’s views on a healthy economic relationship between town and village depend on the fulfilment of certain conditions and they are: (i) cities must find their ‘natural place’ in the rural economy; (ii) cities must primarily be ‘clearing-houses’ for village products; (iii) the importance of agriculture and of industries allied to agriculture should be recognised as the foundation of India’s economic development; and (iv) the economic relation between town and village must be reciprocally beneficial.

Gandhi conceived a normative structure of the village community. To him, the village community is not a mere population within legally established limits. Rather, the village community of his model is a social system with integrated functional sub-systems in the economic, political, educational and other spheres of society. He opted for non-violence for the smooth functioning of the village community. He pleaded for cooperation as one of the operational


principles of the village community. He was of the opinion that "as far as possible every activity will be conducted on the cooperative basis"\textsuperscript{33}.

In addition to the above views, he laid emphasis on three basic norms for the functioning of the village community. The first norm is that "there will be no castes such as we have today with their graded untouchability"\textsuperscript{34}. This clearly indicates his opposition to the existing social stratification that hampers the growth of a healthy community life in the village. Secondly, the 'poor man's swaraj' is the ultimate norm of his ideal village community. In order to achieve this norm he pleaded for economic equality and levelling down of rich persons.

The third norm for an ideal village community is the duty of a man to serve his neighbour. To him, serving one's neighbour means serving the world. We cannot call a village a community unless good neighbourhood relation is developed.

To Gandhi, the village was to be self-governing and it would be self-sufficient in the matter of basic needs—food, clothing and shelter. Besides, his village is not an exclusively agricultural community. Rather, it would be an agro-industrial community. Since he was a lover of

\textsuperscript{33} Gandhi, M.K., Village Swaraj, Op. cit., p.31

\textsuperscript{34} Ibid.,
face-to-face village community, he also thought over the size of the village. He observed that "my imaginary village consists of 1,000 souls. Such a unit can give a good account of itself, if it is well organised on a basis of self-sufficiency." It appears that there are two major criteria for considering the optimum size of the village. The first is economic which implies self-sufficiency of the village for basic necessities of life and the second is political.

The allied problem of economic decentralisation relates to the question of the choice of technology. The impact of technology is all-pervading. He opted for a technology for decentralisation, which does not hamper the growth of individuals and self-contained village communities. He opposed the introduction of technology of big machinery which displaces human labour and has a tendency to concentrate wealth and power in a few hands. In this regard he said, "what I object to, is the craze for machinery, not machinery as such. The craze is for what they call labour-saving machinery, Man go on 'saving labour', till thousands are without work and thrown on the open streets to die of starvation. I want to save time and labour, not for a fraction of mankind, but for all; I want the concentration of wealth, not in the hands of a few, but

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in the hands of all. Today machinery merely helps a few to ride on the back of millions. The impetus behind it all is not the philanthropy to save labour, but greed. It is against this construction of things I am fighting with all my might.\(^36\)

Since Gandhi believes that the value of swaraj can be attained only in self-contained villages, he prefers the existing elementary and small technology for village industries. Such technology for decentralisation does not displace human labour and hence self-contained villages will be retained and enriched. Such technology will help in transforming an agricultural village community into an agro-industrial community. The establishment of agro-industrial communities with the aid of intermediate technology will be able to eradicate the twin evils of mass unemployment and mass migration to cities.

Hence, Gandhian system is a pattern leading to an alternative goal of human life and existence; a human society which is unmoved and immovable, unchanged and unchangeable, using the same kind of plough as existed a thousand years ago, living in the same kind of cottages as there were in times immemorial, and educating its people on the same system as ever before; and a society which limits and

minimises its material needs and one in which every one earns his daily bread by a full day's physical labour seeking happiness as a mental condition detached from the objective of material conditions of life.  

Gadgil-Sen Approach: This approach suggests a vertical integration between a hierarchy of human settlements with the hope that such a link-up will transmit, to the lowest point in the hierarchy, growth impulses from the top growth centres. The ideas of this approach is mainly based on Christaller's Central Place Theory. During the early sixties Prof. Gadgil advocated the 'mandi' (Central market place) approach. It was done in his experimental study on Wardha District Development Plan. The study aimed at providing strategies for conservation and development of resources at a 'mandi' level and their utilisation through market linkages at the district level.

Rural change in an orderly fashion requires the "best method of a strategy which should combine increased provision for facilities, such as health and education, strengthening of the agricultural infrastructure, distribution of inputs, marketing, storage and processing, and provision of non-agricultural employment opportunities and

also have to be conditional to the fact of scarcity of 
resources at the present level of development in the 
country. The concepts which are most relevant for such 
an approach are Integrated Area Development and Micro-
level Planning.39

Integrated Area development refers to two types of 
integration, functional and spatial, which are themsel­
ves interrelated. Functional integration refers to the 
integration of all economic and social activities which 
influence the life of the people. Appropriate location 
of social and economic activities over a physical space 
for the balanced development of a region is the main idea 
of integrated area development. Integrated area develop­
ment is based on the ideas of selectivity and decentrali­
sation of location which should be done within the frame­
work of a region encompassing both urban and rural sectors.

Micro-level planning takes a whole hierarchy of 
Central Places and their hinterland as its focus. The 
emphasis in micro-level planning is on planning from the 
lowest level upward to a clearly defined region. The 
location of specific socio-economic activities and their

39. Sen K., Lalith., 'The need for Micro-level Planning in 
India; in Readings on Micro-level Planning and Rural 
Growth Centres (ed.), National Institute of Community 
interlinkage over a region are major concerns of micro-level planning. 40

This approach seeks to link the village with a growth centre (Mandi town). This calls for the development of a whole cluster of villages through a growth centre which provides the new services needed for the modernisation of a village, such centres will be linked to the villages they serve by trade, industry, finance, education, and other services. These linkages will create the foundation of viable rural-urban communities. In these communities, which are rural-urban based but linked to the modern services and amenities of urban focal points, there will be new job opportunities and new avenues of hope for those who might otherwise be deprived of the new agricultural prosperity.

Thus, a link-up of the village with the growth centre, by increasing the range of the wants of consumers, promoting higher degree of specialisation and capacity utilisation and disseminating technical knowledge would promote development in the rural areas.

Cluster Approach: A cluster approach to rural development was developed by V.K.R.V. Rao in order to overcome the non-viability of a single village as a unit of development.

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He points out that, "when we talk of rural development we should remember that villages in India are very small in their size, population wise, while towns are very large." Therefore it becomes very difficult to organise effective development programmes for such small and non-viable populations.

The concept of a 'cluster' was introduced for the first time by Gadgil in a note submitted to the Directorate of Economics and Statistics. V.K.R.V. Rao revived the cluster approach. His idea of a unit of rural development is not just a village, nor even a large block consisting of a cluster of villages of five or seven or eight, which are in the neighbourhood of one another and hence can be taken as a unit for any rural development programme. To him, a cluster is the formation of sizeable and viable rural communities having a sense of belonging which can only be brought about by person-to-person contact. He is against the idea of centralising all activities in one village or in one cluster of villages.

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instead, he favours the decentralisation of activities, so that every village will be specialised in any one of the activities connected with rural development so that the villager is compelled to go to all other surrounding villages forming a cluster and development will be initiated through a process of action and reaction when people throng together. He believed that by establishing the necessary transport facilities among the villages composing a cluster, each cluster can function as one integrated unit. This line of thought was further pursued by V.M. Rao and H. Ramachandran.

Linton’s approach to Rural Development: Michael Linton inquires into the reasons why the rural areas of the poor countries remain poor in comparison with the urban areas of such countries and points out that the prevalence of an urban-bias in official policies and in their implementation as the cause for the economic backwardness of the rural areas of such countries. According to him, the most important conflict today in the rural countries is between


the rural classes and the urban classes. The rural sector contains most of the poverty and most of the low-cost sources of potential advance; but the urban sector contains most of the articulateness, organization and power. This urban class people are not properly utilising the available scarce land and investment resources for the development of rural areas; instead they are being used for luxurious activities. The "resource allocations, within the city and the village as well as between them, reflect urban priorities rather than equity or efficiency"[47], which is mainly because of the lack of organisation among the rural people.

This disparity between urban and rural welfare is much greater in poor countries, because of the low percentage of investment that has gone into rural developmental activities in these countries. Again the proportion of skilled people, who support development, going to rural areas is low. So the concentration on urban development and neglect of the rural areas have pushed resources away from activities where they can help growth and benefit the poor, and towards activities where they do either of these, if at all, at the expense of the other.

This bias also increases inefficiency and inequity within the sectors. Poor farmers have very little resources and

[47] Ibid., p.13
by the use of extra developmental resources like pumpsets, fertilisers, etc., they tend to get more output; whereas the rich farmers are naturally favoured by urban-biased policies because they sell their extra output to the cities and it is they, not the efficient small farmers, who get the cheap loans and the fertiliser subsidies. Again the concentration of input producing centres and processing units in urban areas hinder the development of the rural sector since the profits earned through these units are no longer reinvested in the rural areas. Hence, "so long as the elities interests, background and sympathies remain predominantly urban, the countryside may get the 'priority' but the city will get the resources. The farm sector will continue to be squeezed, both by transfers of resources from it and by prices that are turned against it. Bogus justifications of urban bias will continue to earn the sincere, prestige-conferring, but misguided support of visiting 'experts' from industrialised countries and inter-national agencies and development will be needlessly painful inequitable and slow."

In order to set right the situation what Lipton suggests is, a shift of resources to the rural sector from the urban sector and within it to the efficient rural poor, even if they do very little for urban development. To bring about

48. Ibid., p.18
49. He asserts that to overcome the problem of urban bias "what is needed is a much larger share of all sorts of developmental resource-savings, aid, brains, dollars, administrators, for rural areas and agriculturists and within these, concentration of resources on the poor, weak and efficient, not on those whose main socio-economic 'virtue' is to transfer their spare food or savings to benefit the urban sector". Ibid., p.328.
such a shift of resources Lipton suggests both persuasive and revolutionary measures 50.

In short, what is required for bringing about rural development and for ameliorating the living conditions of the rural poor is a rural bias in official policies and in investment strategies so that the rural areas get the resources required for development.

An assessment of Rural Development Models: An analysis of the salient features of the rural development models outlined above points out the pre-occupation of these models with the objective of improving the per capita incomes, standards of living and quality of life of the people in the rural areas of the poorer countries of the world including those of India. The analysis points out an inherent tendency among the proponents of these models to make a clear

50. Ibid., p.329
distinction between two sectors of an economy, namely, the urban sector and the rural sector. The basic contention of these models appears to be that the use of modern technology in the process of large scale industrial production has a tendency to bring about the rapid development of the urban sector of an economy to the neglect of the economic interests of the rural areas. This implies that economic undertakings of a highly productive character have a tendency to cluster themselves in the urban areas.

The natural consequence of this tendency is the perpetuation of the economic backwardness of the rural areas of an underdeveloped country like India unless deliberate corrective measures are adopted. The rural development models outlined above suggest the different types of strategies that can be adopted in order to bring about the economic development of the rural areas in a country.

A close study of these models makes one feel that these models highlight an inherent conflict of interests between the urban and the rural areas. In this conflict the comparative advantage lies in favour of the urban sector so that the benefits of modern economic development go in favour of the urban sector of a developing economy like that of India.
Role of agriculture in rural development: Since agriculture is the main occupation of the people in the rural areas of an economy, agricultural development is a basic requirement of rural development. Rapid development of agriculture not only promotes a higher level of income and standard of living for the people engaged in agriculture in the rural areas of a country, but also helps in the rapid economic development of the country as a whole in the following ways: (i) by supplying the food materials required by the agricultural and non-agricultural population of the country; (ii) by supplying the raw materials required for industrial development; (iii) by providing an internal market for the country's industrial products; (iv) by enabling the country to earn the required foreign exchange resources for industrial development through the export of agricultural products; (v) by generating the resources required for industrial development through increased domestic savings; and (vi) by releasing large number of labourers from the
agricultural sector to be employed in the industrial sector. Thus rapid development of agriculture, which is the predominant economic occupation in an underdeveloped country, is the key not only to the rapid development of the rural areas of a country but also to the rapid economic development of the country as a whole. Hence any programme aimed at rural development should aim at bringing about rapid agricultural development.

51. Johnston B.P. and Mellar J.W., pointed out the following important contributions: (a) Increased food supply; (b) Step-up of agricultural exports; (c) Increased transfer of labour resources; (d) additional capital formation; and (e) additional purchasing power as a result of an increasing level of income. Sec, Johnston B.P. and Mellar J.W., 'The Role of agriculture in Economic Development'. American Economic Review 4(4), September 1961, pp.566-93.

Kindleberger lists six important ways through which agriculture can assist economic development and they are: (i) it can provide workers to industries; (ii) it can provide savings for use in industry or by government in financing social overhead capital; (iv) It may pay taxes to government rather than lead to it; (v) Agriculture can earn foreign exchange through exports to pay for important capital equipment and raw materials needed in other sectors; and (vi) It can supply food for consumption by workers in industry of capital formation. Sec, Kindleberger C.P., Economic Development. MacGraw-Hill Inc., (1958) p.218.
Role of rural industries in rural development: A basic characteristic of agriculture is that it is a seasonal occupation that provides employment to the labourers only during the agricultural seasons. Since agriculturists and the agricultural labourers do not have gainful employment during the off seasons of agriculture, agricultural development alone cannot generate gainful employment opportunities to the rural people throughout the year. It is in this context that rural industrialisation is significant in bringing about rural development. Development of rural industries, particularly those which are based on agriculture and which have a rural market, will generate full time employment opportunities for the people in the rural areas and will improve their standard of living. The importance of rural industries in India was highlighted by the Industrial Policy Resolution of 1956 as follows:

"In relation to some of the problems that need urgent solution, they offer some distinct advantages. They provide immediate large scale employment, they offer a method of ensuring more equitable distribution of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country". The

importance of developing industries in rural areas was emphasized in all the plan documents. The Sixth Plan states, for instance, that "the government is determined to promote such a form of industrialisation in the country as can generate economic viability in the villages .... Handloom, handicrafts, khadi and village industries will receive greater attention to achieve a faster rate of growth in the villages."\(^53\)

Table 2.3 shows the composition of village and small industries output in India and the employment generated by them at different selected years.

### Table 2.3
Composition of Village and Small Industries Sector, 1959-60 to 1984-85

<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>1959-60</th>
<th>1973-74</th>
<th>1979-80</th>
<th>1984-85</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of output (Rs. Crores)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditional Industries (KVIC)</td>
<td>786</td>
<td>2,183</td>
<td>4,419</td>
<td>7,227</td>
</tr>
<tr>
<td>Modern Small Industries (SIDO)</td>
<td>112</td>
<td>9,189</td>
<td>24,885</td>
<td>36,973</td>
</tr>
<tr>
<td>Other (not under KVIC or SIDO)</td>
<td>-</td>
<td>2,237</td>
<td>4,206</td>
<td>5,035</td>
</tr>
<tr>
<td>Sector Total</td>
<td>898</td>
<td>13,600</td>
<td>33,510</td>
<td>49,235</td>
</tr>
<tr>
<td>Value of Product exported (Rs. Crores)</td>
<td>-</td>
<td>846</td>
<td>2,225</td>
<td>3,685</td>
</tr>
</tbody>
</table>

Table 2.3 (Contd...)

<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>1959-60</th>
<th>1973-74</th>
<th>1979-80</th>
<th>1984-85</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution to the gross value of output in manufacturing sector (%)</td>
<td>52</td>
<td>35</td>
<td>49</td>
<td>-</td>
</tr>
<tr>
<td>Employment including part-time (lakhs)</td>
<td>28</td>
<td>176</td>
<td>233</td>
<td>326</td>
</tr>
</tbody>
</table>


The data highlight the important role played by these industries in generating employment opportunities in the country. The total employment generated by these industries increased from 28 lakhs in 1959-60 to 176 lakhs in 1973-74, 233 lakhs in 1979-80 and to 326 lakhs in 1984-85.

Khadi and Village Industries: The emphasis on the growth of 'Khadi and village industries' sector has increased over the Plan-period due to the recognition of their potentialities for generation of rural employment. The objectives of this programme are: (a) to reach a larger segment of traditional artisans and to ensure full employment in their present occupations and to prevent their displacement; and (b) to create additional employment in the decentralised sector.

Achievements of these industries in terms of production, income and employment are shown in Table 2.4. The overall
<table>
<thead>
<tr>
<th>Industry</th>
<th>Unit</th>
<th>Production 65-66</th>
<th>Production 73-74</th>
<th>Production 79-80</th>
<th>Percentage increase Col.3 and 5</th>
<th>Employment in lakh persons 73-74</th>
<th>Employment in lakh persons 79-80</th>
<th>Percentage increase between Col.7 and 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Traditional:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Khadi</td>
<td>Million sq.</td>
<td>94.9</td>
<td>55.7</td>
<td>21.0</td>
<td>(-) 4.6</td>
<td>8.84</td>
<td>11.24</td>
<td>27.1</td>
</tr>
<tr>
<td></td>
<td>meters</td>
<td>26.81</td>
<td>33.0</td>
<td>33.0</td>
<td>265.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Village</td>
<td>Value</td>
<td>55.87</td>
<td>122</td>
<td>314</td>
<td>462</td>
<td>9.27</td>
<td>18.21</td>
<td>96.4</td>
</tr>
<tr>
<td>3. Handloom</td>
<td>Mil. meters</td>
<td>30.56</td>
<td>2100</td>
<td>2900</td>
<td>-</td>
<td>52.10</td>
<td>61.50</td>
<td>19.0</td>
</tr>
<tr>
<td></td>
<td>Value</td>
<td>-</td>
<td>840</td>
<td>1740</td>
<td>107.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Sericulture</td>
<td>Lakh kgs of raw silk</td>
<td>21.50</td>
<td>29</td>
<td>49</td>
<td>123.3</td>
<td>12.00</td>
<td>16.00</td>
<td>33.3</td>
</tr>
<tr>
<td></td>
<td>Value</td>
<td>-</td>
<td>63</td>
<td>131</td>
<td>107.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Handicrafts</td>
<td>Value</td>
<td>317</td>
<td>1065</td>
<td>2050</td>
<td>546.7</td>
<td>15.00</td>
<td>20.30</td>
<td>35.3</td>
</tr>
<tr>
<td>6. Coir</td>
<td>Lakh tonnes of fibre</td>
<td>0.74</td>
<td>1.50</td>
<td>1.85</td>
<td>150</td>
<td>5.00</td>
<td>5.59</td>
<td>11.8</td>
</tr>
<tr>
<td></td>
<td>Value</td>
<td>17.47</td>
<td>60.0</td>
<td>85.00</td>
<td>392.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total of A</td>
<td>Value</td>
<td>-</td>
<td>2183</td>
<td>4419</td>
<td>102.4</td>
<td>102.21</td>
<td>132.04</td>
<td>30.0</td>
</tr>
<tr>
<td>Percentage share to D</td>
<td>-</td>
<td>16.1</td>
<td>14.3</td>
<td>-</td>
<td>57.8</td>
<td>55.9</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
### Table 2.6 (Contd...)

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. Modern Small Scale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Small-Scale</td>
<td>Value</td>
<td>7200</td>
<td>19,060</td>
<td>164.7</td>
<td>39.65</td>
<td>84.60</td>
<td>62.9</td>
<td></td>
</tr>
<tr>
<td>B. Power looms</td>
<td>Million meters</td>
<td>2400</td>
<td>3,450</td>
<td>43.7</td>
<td>10.1</td>
<td>11</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Value</td>
<td>1950</td>
<td>3,250</td>
<td>64.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total of B.</td>
<td>Value</td>
<td>9180</td>
<td>22,310</td>
<td>143</td>
<td>49.65</td>
<td>75.60</td>
<td>52.3</td>
<td></td>
</tr>
<tr>
<td>Percentage share to B</td>
<td>-</td>
<td>67.5</td>
<td>72.1</td>
<td>-</td>
<td>28.1</td>
<td>32.4</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>C. Others</td>
<td>Value</td>
<td>2237</td>
<td>4,206</td>
<td>88</td>
<td>24.5</td>
<td>25</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>D. Total of VSI</td>
<td>Sector value</td>
<td>15,800</td>
<td>30,395</td>
<td>127.5</td>
<td>175.36</td>
<td>234.44</td>
<td>32.4</td>
<td></td>
</tr>
</tbody>
</table>

contribution of the village and small-scale industries sector to production and employment was not negligible. In 1979-80, its share in the total value of manufacturing sector was around 49 per cent and 51 per cent in the total value added. It provided employment to 23.58 million persons, both on part-time and full-time basis, as against, only around 4.5 million persons on full-time basis by the large and medium scale industries. In the field of exports, this sector accounted more than a third of the total exports.  

Since rural industrialisation is being suggested as a means of solving the problem of rural unemployment in the country, the decentralisation argument is an additional factor which weighs in favour of these industries and their adaptability to the rural environment. These industries can be established in any part of the village. The weaker sections of the community are looked after by providing them with work nearer home or in their own houses through these industries. This avoids heavy expenditure on providing infrastructure and social services which would be necessary if, industries are concentrated in cities. The real significance of these industries lies in the fact that these can provide supplementary employment and income to the landless

agricultural workers and small and marginal farmers and will help them in raising their standard of living and since they can be set up in the rural areas, they can combine the work in agriculture with that of the work in industries.

Moreover, in order to put a check on the population explosion in the big cities, the rural areas of the country should be well industrialised. The Khadi and village industries are very well suited for this purpose. Development of these industries in the rural areas will provide employment opportunities for the rural labourers within the rural areas and will discourage the migration of people to the cities and urban centres in search of jobs. Hence, these industries can bring about dispersion of industries in the country and can promote the objective of balanced regional development in the country.

**Allied agricultural activities in rural development:** Allied agricultural activities like Dairy farming, poultry farming, piggery, sheep and goat rearing etc. have an important bearing on rural development. Apart from providing the rural people with supplementary employment throughout the year, these activities increase the earnings of the agriculturists and thereby improve their standard of living. These activities also contribute to an improvement in agricultural productivity by supplying agricultural inputs like fertilizers and animal power for ploughing purposes in agriculture.
Recognising the importance of these allied agricultural activities in rural development, the Government of India has attached great importance to the development of these activities under the Integrated Rural Development Programmes.

The scope for poultry development is very large on account of the increasing demand for eggs and poultry meat in the urban consuming areas. The demand for eggs is also increasing in the rural areas of the country. Eggs and poultry meat are important sources of high-quality protein to balance the diet of common people. It also provides a source of subsidiary income and gainful employment to farmers throughout the year. Poultry is an efficient converter of foodstuff fit for human consumption into meat and it gives comparatively quick return compared to investment on land. Poultry manure has high fertilizer value and can be used for increasing the yield of crops. Thus poultry production has an important place in the rural economy of a country.

Fisheries development is yet another allied activity which plays a vital role in the economy and community life of rural areas. Besides supplying a highly nutritive diet, it contributes substantially towards large-scale employment of the poorer sections of the society. Development of pisciculture
can be an important source of supplementary income to the farmers who own perennial or seasonal tanks. In an agrarian economy, like that of India, utmost emphasis has to be laid on the intensive use of land for agriculture and allied activities.

An Assessment: From the foregoing discussion of the meaning and implications of economic development, of the meaning, need and implications of rural development it is evident that unless deliberate measures are adopted in order to promote a better regional or geographical distribution of the benefits of economic development, the benefits of rapid economic development will tend to concentrate in the industrial and urban areas will tend to remain backward and underdeveloped thereby giving rise to a dualistic pattern of development. With a view to set right the harmful effects of such a dualistic pattern of development and to mitigate the evils of uncontrolled growth of urban centres and industrial cities, India has been attempting in recent years, to promote rapid development of the rural areas in the country.

An analysis of the various models of rural development put forward by different economists in the light of the complementary character of agricultural and industrial activities shows that a rapid development of the rural areas of the country requires a co-ordination between rural development
and non-rural or industrial development. This is because the two sectors of the economy, agricultural and industrial or rural and urban, are closely interlinked with each other either as the suppliers of products, raw-materials and savings or as the providers of the market for such products. This linkage between the two sectors is in the case of India because of the high pressure of population on land in the rural areas. Any improvement in the living standards of the people in the rural areas in India requires a large scale diversion of agricultural population into non-agricultural population by developing industrial activities in the rural as well as urban areas of the country. Hence, rapid rural development in the country requires a fuller exploitation of the complementarity of the agricultural and non-agricultural activities on the one hand and between the rural and the urban sectors on the other. Marketing is an effective means of exploiting such a complementarity between the two sectors of the economy and between the two types of activities in an economy. This role of marketing in rural development will be discussed in detail in the following chapters.