INFRASTRUCTURE

IIBF
RURAL BANKING

INFRASTRUCTURE

- The economic progress of a country depends upon the development **of agriculture and industry**.
- Agriculture production **requires credit, power, roads, and markets**.
- Industrial production requires **equipment and machinery, power, skilled manpower, managerial personnel, banking and marketing facilities, and transport and shipping facilities**.
- All these facilities and services together are **referred to as infrastructure.**

INFRASTRUCTURE IN INDIA

- There has been some improvement in infrastructure **development in the transport, communication, and energy sectors in recent years but, there are still significant gaps that need to be bridged.**
- There was a **bias toward infrastructural development in urban areas**.
- The India Rural Infrastructure Report, proposed a government subsidy **for encouraging private players to invest in rural infrastructure development.**
- Investments were made the for development of **irrigation potential, electrification of villages and pump sets, and development of rural roads and market yards,** substantial investments were made for the development of infrastructure in urban areas.
- The people in urban areas could take **advantage of the development of telecommunication, banking, power, and transport more than their rural counterparts.**

TRANSPORT

The availability of transport facilities helps in the **expansion of the market for goods, movement of raw material and finished goods, and development of remote and backward areas**, apart from boosting industrial production.

Importance of Transport in Five-Year Plans

- **The Second Five-year plan documents** state that **an 'efficient and well-developed system of transport and communication** is vital to the success of a plan of economic development which lays **stress on rapid industrialization.**
- The importance of roads in rural areas can be realized from the following statement **in the Seventh Plan (1985-90). Road construction and maintenance generate sizable employment opportunities,** a factor that has assumed considerable importance **with demographic expansion and the growth of the labor force.**
- The Eleventh Five Year Plan has projected an investment requirement of Rs. 41,347 crores (at 2006-07 prices) in rural roads. During the first two years of **the Eleventh Five Year Plan, an expenditure of Rs. 25,780.7 crores have been incurred on rural roads under PMGSY (Pradhan Mantri Gram Sadak Yojana)**

MARKETS

- The farmers have three choices to sell their produce: **a) sell to the village traders (who are often moneylenders too), b) sell in the village market (hat), or c) take the produce to the Mandis.**
- Lack of **storage facilities** also compels **them to sell at low prices.**
- The Government has taken several steps like **setting up warehousing facilities in mandis and other important towns, encouraging cooperative societies to set up godowns at the village and taluka level, setting up regulated markets, and constructing rural roads**.

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Regulated Markets

The regulated markets were set up to eliminate undesirable market practices and to ensure that farmers get fair prices.

Characteristics of a Regulated Market

- The regulated market covers either **a specific commodity or a group of commodities and is managed by market committees consisting of representatives of farmers, dalals, and the Government**.
- **The committee fixes market charges, ensures the correct weighing of commodities**, and prevents unauthorized deductions from the sale proceeds.
- **The regulated market tries to ensure that the farmer gets a fair price** for his produce and he gets a larger share of the consumer price paid for the produce.
- The present marketing structure for agricultural commodities consists of the following.

a. **About 20000 mandis or hats serving villages within a radius of 8-10 km.**

b. Wholesale markets serving an area of 700 sq. km.

Marketing-APMC Act

***Agricultural Produce Market Committee (APMC) Act**:* The Government of India has circulated model legislation titled "The State Agricultural Produce Marketing (Development and Regulation) Act, 2002 The position of states, which have amended their APMC Act or have provisions for bringing out reforms as on 2020 are:

- The Farmers' Produce Trade and Commerce (Promotion and Facilitation) **Ordinance, 2020 allows intra-state and inter-state trade of farmers' produce beyond the physical premises of APMC markets**. **State governments are prohibited from levying any market fee, cess, or levy outside APMC areas**.
- **The Farmers Agreement Ordinance creates a framework for contract farming through an agreement between a farmer and a buyer before the production or rearing of any farm produces.** It provides for a three-level dispute settlement mechanism: the conciliation board, Sub-Divisional Magistrate and Appellate Authority.
- **The Essential Commodities (Amendment) Ordinance, 2020 allows the central government to regulate the supply of certain food items only under extraordinary circumstances (such as war and famine). Stock limits may be imposed on agricultural produce only if there is a steep price rise.**

Key Issues and Analysis

- **The three Ordinances aim to increase the availability of buyers for farmers' produce, by allowing them to trade freely without any license or stock limit**, so that an increase in competition among them results in **better prices for farmers**. While the Ordinances aim to liberalize trade and **increase the number of buyers**, de-regulation alone may not be sufficient to attract more buyers.
- **The Standing Committee on Agriculture (2018-19) noted that the availability of a transparent, easily accessible, and efficient marketing platform is a prerequisite to ensuring remunerative prices for farmers.** Most farmers lack access to government procurement facilities and APMC markets. It noted that small rural markets can emerge as a viable alternative for agricultural marketing if they are provided with adequate infrastructure facilities.

- The Standing Committee also recommended that **the Gramin Agricultural Markets scheme (which aims to improve infrastructure and civic facilities in 22,000 Gramin Haats across the country)** should be made a **fully funded central scheme** and scaled to ensure the presence of a Haat in each panchayat of the country.

POWER

- The most important factor for the economic growth of a country is power. **As the economy grows, demand for power increases since it is an important input for all productive economic activities.**
- **The energy sources in India are coal, petroleum, and electricity** (hydel, thermal, and nuclear). There are also other sources of energy like **firewood, biogas, agricultural wastes, and dried dung** which are mostly used by people in rural areas.
- **The availability of fuel wood is about 50 percent of the requirement.** Fuel wood is mainly used for cooking in rural areas. It is said that there may not be enough fuel wood to cook food.

Consumption Trends

- With the growth of industrial production and the **use of electric and diesel pump sets, tractors, and, to a limited extent, combined harvesters,** the energy demand has gone up in the country.
- Many states facing acute shortages of electricity have **imposed power cuts in varying degrees** on the existing users of electricity. **The shortage of energy has also affected rural India.**
- The Government is making serious efforts to **increase the production of coal and electricity in the country.**
- To overcome the shortage in power generation, the government has decided **to permit investment by the private sector**.

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- The Government is **promoting the use of non-conventional energy like biogas solar and wind energy**.
- A national project for promoting solar energy has been formulated and **the banks are directed to extend credit facilities to solar lighting installation, especially in rural areas.**

Rural Electrification

- The establishment of **Rural Electrification Corporation Limited** (REC) in **1969 was an important step in providing funds for rural electrification.**
- Its main objective is to **finance and promote rural electrification projects all over the country.**
- 'Under **the Rajiv Gandhi Grameen Vidyutikaran Yojana** (RGGVY), which is continued during **the Eleventh Five Year Plan, 59,882 villages have been electrified and connections to 53.78 lakh BPL households have been released (up to 31.3.2009).**

OTHER SERVICES

Other infrastructural services of importance are telecommunication and postal services.

Rural Telephony

- **With the special thrust given to rural telephony, the number of rural telephones went up from 12.3 million in March 2004 to 112.71 in January 2009.**
- The strategy for rural network expansion involves the provision of phones through market mechanisms in viable areas and the **Universal Service Obligation** (USO) Fund in nonviable areas. Village public telephones (VPTs) and **rural community phones** (RCPs) will **enable public access; a scheme of RCPs has been launched under USO (F) to create the infrastructure in rural and remote areas.**

- **The Mobile Grameen Sanchar Sewak Scheme providing telephone at the doorstep of villagers is in place in about 12,000 villages**.

  About **8,61,459 wireless broadband connections with a speed of at least 512** kbps always on, shall be **provided by BSNL with subsidy support from USO(F).**

Postal Services

- The National Postal network in India had 1.55 lakh post offices. **India Post is credited with the largest postal network in the world**. One post office serves 8,511 people and covers an area of approximately 21.36 sq. km.
- **The money order services to rural areas have been improved by the use of a network**. Since March 1993, **the availability of postal life insurance has been extended to rural areas.**
- **The post office saving Bank is one of the most important schemes for mobilizing savings from rural areas.**