



State of the Rural Economy of India

For Prelims: [India's rural economy](#), [Pradhan Mantri Krishi Sinchayee Yojana](#), [Pradhan Mantri Gram Sadak Yojana](#), [BharatNet](#), [Common Service Centers](#), [Deendayal Upadhyaya Gram Jyoti Yojana \(DDUGJY\)](#), [BharatNet Project](#), [MUDRA](#), [SFURTI](#), [Start-up India](#), [Pradhan Mantri Kaushal Vikas Yojana \(PMKVY\)](#), [Smart Cities Mission](#), [AMRUT](#), [Rurban Mission](#), [eNAM](#), [Production Linked Incentive \(PLI\) Scheme](#)

For Mains: State of Rural Economy, Initiatives for Promoting Rural Manufacturing, Challenges and Way Forward for Rural Manufacturing, Role of Women-owned Non-Agricultural Enterprises in Rural Economy, Current Major Challenges Related to Rural India.

Source: [EPW](#)

Why in News?

India's rural economy faces significant challenges, including [poverty](#), [unemployment](#), and [agrarian distress](#). To address these issues, there is a need to focus on rural industrialisation, particularly through women-owned [non-agricultural enterprises](#).

- Expanding such enterprises can enhance [GDP](#) growth and improve employment opportunities in rural areas, especially for women.

What is the State of India's Rural Economy?

- **Rural Demographics:**
 - According to [Census 2011](#), **68.85%** of India's population resides in **rural areas** and it is projected by [NITI Aayog](#) that it **will remain above 50% even in 2045**, indicating the sustained significance of rural India in the nation's socio-economic fabric.
- **Living Conditions:**
 - According to Census 2011, around **39% of rural households** resided in **one-room accommodations**, with only **53.2% having access to electricity** compared to **92.7% in urban areas**.
 - **Traditional fuels** like firewood were used for cooking by **86% of rural households**, and **only 30.8% had access to tap water**, highlighting challenges in basic infrastructure and amenities.
- **Rural Poverty:**
 - The [Tendulkar methodology](#) shows rural poverty was alarmingly high at **41.8% in 2004-05**, declining to around **25% in 2011-12**.
 - However, 6 states still had poverty ratios exceeding 35% in 2011-12.
 - The rural [Monthly Per Capita Consumption Expenditure \(MPCE\)](#) remains significantly lower than urban levels, indicating **limited consumption capacity** and **acute poverty**.
- **Employment:**
 - The [PLFS Report 2023-24](#) highlights that rural employment is largely characterised by **self-employment (53.5%)** and **casual labour (25.6%)**.

- A significant portion of **rural workers (58.4%) is engaged in agriculture** (offers **seasonal employment**).
- **Salaried jobs** in rural areas comprise only **12%** of the workforce, with most of these positions lacking contracts, paid leave, and job security.
- The [India Employment Report 2024](#) by the [ILO](#) shows unemployment among educated youth has nearly doubled from **35.2% in 2000 to 65.7% in 2022**, with women (76.7%) facing higher unemployment than men (62.2%).
- From 2017-18 to 2023-24, India added **150 million jobs**, with **rural women** driving **54%** of this growth, particularly in **agriculture**.
 - **Rural female workforce participation** increased by 12.5% to **34.8%** in 2023-24.
- **Agricultural Distress:**
 - **Small and marginal** farmers, who constitute **86%** of the farming population, hold only **43% of agricultural land**, while larger farmers with economic holdings manage 53% of the land .
 - **Agricultural labourers** who make up a larger proportion of the rural workforce compared to landowners face **seasonal work, low wages, and a lack of social security measures**, including medical assistance and pensions.

What Steps Have Been Taken to Promote Rural Economy in India?

- **Infrastructure Development:**
 - [Pradhan Mantri Gram Sadak Yojana \(PMGSY\)](#).
 - [BharatNet Project](#)
 - **Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)** has played a pivotal role in rural electrification, bringing electricity to over 18,000 villages and boosting economic activities.
- **Support for MSMEs:**
 - [Micro Units Development & Refinance Agency Ltd \(MUDRA\)](#)
 - [Credit Guarantee Scheme for MSMEs \(CGTMSE\)](#)
 - [SFURTI \(Scheme of Fund for Regeneration of Traditional Industries\)](#)
- **Promoting Rural Entrepreneurship and Employment:**
 - [Start-up India Initiative](#)
 - [Stand-Up India Scheme](#)
 - [Deen Dayal Upadhyaya Grameen Kaushalya Yojana](#)
 - [Pradhan Mantri Kaushal Vikas Yojana](#)
 - [National Rural Livelihood Mission](#)
- **Strengthening Rural-Urban Linkages:**
 - [Shyama Prasad Mukherji Rurban Mission \(SPMRM\)](#)
 - [eNAM platform](#)
- **Policy Frameworks for Rural Manufacturing:**
 - [One District One Product \(ODOP\)](#)

What are the Challenges to Rural Economy in India?

- **Stagnation of the Manufacturing Sector:** India's manufacturing sector has experienced stagnation, contributing only **15% to the GDP in 2023**, down from **16.1% in 2014-15**.
- **Spatial Planning Challenge:** India's shift from **agriculture to manufacturing** has been slow and uneven, with over **40%** of the workforce still employed in **agriculture**, compared to **20% in China** and **2% in the US**.
- **Infrastructural Issues:** De-urbanisation of manufacturing in India has **shifted organised manufacturing from urban to rural areas**, reducing costs but **hindering growth** due to **inadequate rural infrastructure**.
 - **Small towns and rural areas** are emerging as **engines of economic growth** in India, with over half of the urban population residing in these regions, projected to grow significantly by 2050.
- **Investment Challenges:** **Private investment in rural manufacturing is limited**. Factors

such as **poor physical infrastructure, lack of reliable land records, and distorted capital markets** contribute to this underinvestment.

- The **absence of efficient resource allocation mechanisms** has restricted the entry of new, more efficient enterprises.

What Measures Can Be Taken to Boost Rural Economic Growth in India?

- **Infrastructure Investments:** Significant **investments in rural infrastructure**, including **roads, electricity, and telecommunications**, are vital for creating a conducive environment for manufacturing growth and economic development.
- **Promoting MSMEs:** Policies should focus on empowering **micro, small, and medium enterprises (MSMEs)** by ensuring easier access to **credit, land, and skill development programs**.
 - Supporting MSMEs, especially those addressing rural demands, will enhance entrepreneurship and generate employment.
 - A policy shift towards **developing small towns as industrial hubs** is crucial for balanced regional development and mitigating urban-rural disparities.
- **Focus on Skill Development:** **Skill development programs** must be aligned with industry needs to boost the employability of the rural workforce, particularly in non-agricultural sectors.
 - It will ensure they are ready for the opportunities arising from rural industrialization.
- **Promoting Women-Owned Non-Agricultural Enterprises:** These enterprises contribute to economic growth by **enhancing productivity, diversifying incomes, and promoting financial inclusion**.
 - **Women need to account for over half the new jobs created by 2030** for India to **achieve an 8% GDP growth rate**.
 - Formalising these enterprises, and providing targeted business and financial support through **priority sector lending**, is crucial.
- **Enhancing Digital Infrastructure:** Expanding digital infrastructure, including **internet access and mobile connectivity** in rural areas will facilitate women's participation in non-agricultural sectors.
 - This would enable women to **leverage fintech solutions** for better financial access and efficient business management.

Drishti Mains Question:

Discuss the state of India's rural economy and propose measures to address the challenges faced by the rural economy.

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

Q1. Which of the following grants/grant direct credit assistance to rural households? (2013)

1. Regional Rural Banks
2. National Bank for Agriculture and Rural Development
3. Land Development Banks

Select the correct answer using the codes given below:

- (a) 1 and 2 only
- (b) 2 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (c)

Q2. How does the National Rural Livelihood Mission seek to improve livelihood options of rural poor? (2012)

1. By setting up a large number of new manufacturing industries and agribusiness centres in rural areas
2. By strengthening 'self-help groups' and providing skill development
3. By supplying seeds, fertilisers, diesel pump-sets and micro-irrigation equipment free of cost to farmers

Select the correct answer using the codes given below:

- (a) 1 and 2 only
- (b) 2 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (b)

PDF Reference URL: <https://www.drishtiias.com/printpdf/state-of-the-rural-economy-of-india>

