



## 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>

