

Contribution Of Rural Economy In New India

Dr Vikash Singh

Assistant Professor (Sahkaree P.G. Coolege Mihrawa ,Jaunpur) Veer Bahadur Singh Purvanchal University,
Jaunpur,
DOI: 10.47750/pnr.2022.13.509.419

Abstract

India has historically been a rural nation, with two thirds of the population still living there. Considering that, India's rural economy represents over 50% of its national income, and rural growth and development is a key driver supporting India's overall growth and development. Additionally, the more well-informed and educated rural youth seeks employment that matches their knowledge and skills which has been an upcoming enabling force. Thus, India's future is largely going to be shaped by the contributions of the countryside.

Rural consumption has been essential to India's progress over the past few years, which has been primarily fueled by a rising disposable income. Adding more, when it comes to agriculture-related exports, India is a world leader. Over the years, we have witnessed growth in the avian industry, aquaculture, fisheries, and animal husbandry. Furthermore, resilience of the agricultural sector to the effects of the pandemic and with special focus on self-reliance in the Indian economy - 'AtmaNirbharta', rural India has not only emerged as a notable investment subject but also one of the major driving forces of the Indian economy. All the above given reasons reiterate the significance rural economy holds in coming times for new India.

Key words : Rural Economy, Economy, Agricultural Sector, New India

Introduction

Two thirds of Indian Population resides in countryside, Rural India is an actual portrayal of true India. The countryside of India is an amalgamation of varied cultures, languages, dialects, ethnicities, etc. which enables a unique stature of India in the world. Given that, India's rural economy accounts for over 50% of its national income, rural growth and development are a main driver behind India's overall growth and development. Studies have shown that India's rural economy has consistently supported and contributed to the country's GDP even in the times of slowdown of overall economy.

Understanding the eminent position rural economy holds in Indian economic grounds, it is going to be a key contributor in the making of New India. New India is not just a limited quantitative growth concept but also about expansion and upliftment on qualitative indicators. The Rural Economy is very well positioned to contribute on both fronts. For instance, Rural India has recently positioned itself to take the lead in the demand rebound as a result of the pandemic. This has been made feasible by the rural population's rising standard of living and the adoption of new technologies. Nevertheless, there are still a number of untapped opportunities for economic innovation. To encourage consumption and investment in the important rural sectors, the government has put out a number of policies, incentives, and initiatives.

Moreover, The government of India eyes contributions of 1 trillion dollars from agriculture, 3 trillion dollars from services and 1 trillion dollars from the manufacturing sector to make the Indian economy a 5 trillion dollar economy.

As per International Labour Organisation ‘The rural economy holds significant potential for creating decent and productive jobs and contributing to sustainable development and economic growth.’ This is further recognized in the 2030 Agenda for Sustainable Development, which is set to increase attention towards rural development and agriculture and food security in particular.

This paper is an attempt to analyse the role of the rural economy in making a new India. It has been taken up in two parts. In the first part, it analyses how rural economy in India has been a bulwark in recovery from pandemic and in latter part potential of rural economy to contribute in the making of New India and related government initiatives have been elucidated.

Research Methodology

The research paper is an effort that is based on secondary data that was gathered from credible publications, the internet, articles, textbooks, and newspapers. The study's research design is primarily descriptive in nature.

Literature Review

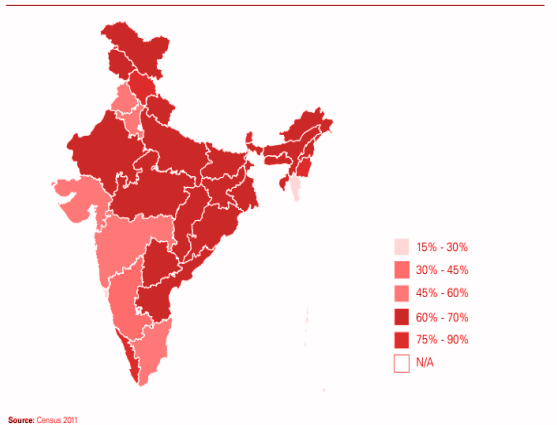
The eminence of rural economy can be clearly understood by the fact that major proportion of Indian population depends on Agricultural Sector (Economic Survey 2021-22). The rural economy of India generates about half of the national income and more than two thirds of the employment is generated in the rural areas of India (NitiAayog, 2017). The Aayog further highlights the finding that more than half of the value added in the manufacturing sector in India is contributed by rural areas. The Agriculture sector experienced buoyant growth in past two years, accounting for a sizeable 18.8% (2021-22) in Gross Value Added (GVA) of the country registering a growth of 3.6% in 2020-21 and 3.9% in 2021-22 (Economic Survey 2021-22). Furthermore, Allied sectors including animal husbandry, dairying and fisheries are steadily emerging to be high growth sectors and major drivers of overall growth in the agriculture sector (Economic Survey 2021-22). The overall growth of the Indian economy has depended much on agriculture and the rural sector is slated to participate with full vigor in the economic system thereby facilitating the economy to become a 5 trillion dollar economy by 2025 (PHD Research Bureau, 2018). Indian Council of Food and Agriculture (ICFA), 2018, which studied the progress of agriculture and Indian farmers during the last 70 years starting from independence, highlights the role of rural economy and that of agriculture in the level of employment generated in agriculture. Net receipts from crop production have increased by 22.6% in the latest Situation Assessment Survey (SAS), 2022 compared to SAS Report of 2014.

Findings

1. Bulwark of Recovery after Pandemic

Almost from last two decades, India's rural per capita GDP has grown constantly at 6.2%. The growth, income, and consumption patterns of rural India are particularly important since the vast majority of the population lives there. They have the ability to boost demand, revive the economy, and maintain economic growth. Further, there has been enough facts to sustain the argument that during slowdowns in the overall economy, the rural economy of India stayed resilient. (Due to the COVID-19 pandemic, the Indian economy has shrunk by 23.9 per cent in the second quarter of FY2020-21, the worst decline recorded in the last 15 years since the nation has started compiling GDP statistics quarterly.)

Figure 1: India's rural population



Rural consumption has been essential to India's progress over the past few years, which has been primarily fueled by a rising disposable income. Adding more, when it comes to agriculture-related exports, India is a world leader. Over the years, we have witnessed growth in the avian industry, aquaculture, fisheries, and animal husbandry. Furthermore, resilience of the agricultural sector to the effects of the pandemic and with special focus on self-reliance in the Indian economy - 'AtmaNirbharta', rural India has not only emerged as a notable investment subject but also one of the major driving forces of the Indian economy.

However, during the COVID 19 pandemic, only the agriculture sector saw growth (3.4% increase), while all other sectors had a significant fall that brought the aggregate rate to a negative 28%. This was caused by the excellent monsoon season in FY 21 (highest levels recorded in the previous six years), an abundance of water in irrigation reservoirs, a greater area covered by sown crops for the kharif season, and the successful implementation of MGNREGS along with other government welfare interventions.

Labor-intensive sectors like retail, real estate, transport, construction, and manufacturing were affected most significantly during the COVID-19 lockdown. Thus, rural economy did not crumble and showed resilience.

From a business perspective, the resilience of India's rural economy backed by increased rural consumption has positioned rural India as a potential investment theme.

Furthermore, based on primary reports and indicators, the economic trends point that consumption patterns in rural economy of India will be a guiding force in India's economic recovery.

2. Potential to contribute in the making of New India and Government Initiatives

The markets in India's rural region are increasingly becoming powerful economic drivers. Many policymakers and businesses are excited by the exponential growth prospects presented by these markets. Companies that seek to become high-performing businesses cannot ignore the potential of India's rural markets. There is promising data that suggests that the rural markets are predominantly driven by the increasing purchasing power of the consumer, which is a key driver for growth across a variety of sectors.

The potential cannot be gauged merely on present scenarios. In this particular context as well rural economy is not merely way ahead, it has been one of the strengthening pillars which can be assessed from the data given.

- Share of rural background in NDP and workforce

Source: NITI Aayog, 2017.

Year	Economy	Workforce
1970-71	62.4	84.1
1980-81	58.9	80.8
1993-94	54.3	77.8
1999-2000	48.1	76.1
2004-05	48.1	74.6
2011-12	46.9	70.9

Table 1

Table 1 shows the share of rural background in NDP and workforce from 1970s- 2010s. It gives a clear insight that how over the decades contribution of urban centres has taken over the rural economy yet majority (70%) population is dependent on rural livelihood.

- Agriculture Growth Rate and GDP growth rate

Source: PHD Research Bureau, 2018.

Year	Agriculture Growth Rate	GDP Growth Rate
1980-81	14.4	6.7
1990-91	4.3	5.5
2000-01	-0.6	3.8
2010-11	6.5	10.3
2017-18	3.4	6.7
2018-19	2.9	6.8

Table 2

Table 2 depicts the relation between Agricultural Growth Rate and GDP growth rate over the given years. As evident from the data, there has been a positive correlation between GDP Growth rate and Agriculture Growth rate. We can conclude that the agriculture industry plays a significant role in the overall growth and development of the Indian economy. This also demonstrates how India's rural economy is an untapped source of employment, growth, and development because rural India is currently being driven by a revived sense of aspiration and ambition.

- SHARE OF RURAL AREAS IN INDIA'S FOREIGN TRADE:

According to the Economic Survey 2019-20, the share of agriculture and its allied sectors in India's export in 2017-18 was 12.7%, in 2018-19 was 11.8% and it decreased to 10.6% in 2019-20 (April-September). On the other hand, India's imports constituted import of Food & Allied Products at 4.4%, 3.2 % and 3.3% in the years 2017-18, 2018-19 and 2019-20 respectively. This clearly lays out that the agriculture sector constitutes a notable part in the foreign trade of India.

Given the role of rural economy of India in its total economy, there is much scope and hope that the rural economy of India will drive Indian economy towards a 5 Trillion Economy by the year 2025. The share of rural economy in employment, GDP growth rate, national income and India's foreign trade is a testimony to the fact that the rural economy will be playing a dominant role in the making of New India.

Furthermore, as a way ahead into future as well contribution of Rural Economy in National Income of India remains significant as shown in Figure 2. Therefore, Government of India has put a lot of thrust in areas of potential so as to reap maximum benefits of the position that rural economy holds in current economic dynamics. These areas are agriculture, banking, consumer durables and FMCG.

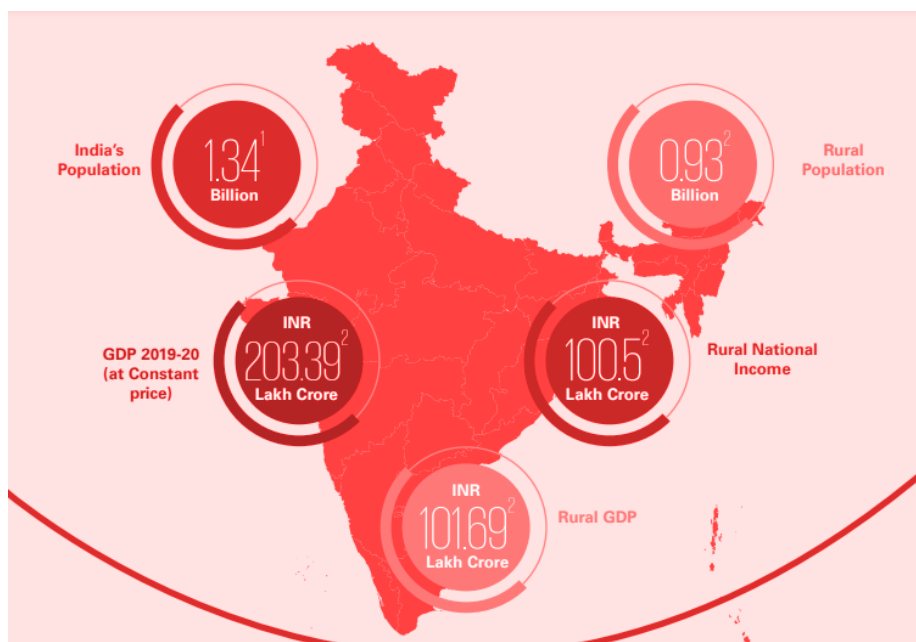







Figure 2

The government has suggested forward-thinking policies and interventions to stimulate investment and consumption with a focus on advancing the aforementioned sectors.

Due to COVID-19, India's economy is currently collapsing, necessitating urgent government intervention to limit the harm and keep the economy afloat while allowing people to keep their employment. The majority of these interventions offer a macroeconomic remedy centred on central bank emergency liquidity.

These also include fiscal policies like general tax relief, wage/income subsidies, unemployment insurance, the ability to postpone payments, and government equity investments in underperforming businesses. Here are a few government initiatives designed to encourage enterprise in fields directly related to the rural economy.

	Government interventions	Description
 <p>Agriculture</p>	<ul style="list-style-type: none"> • Agriculture Export Policy • Doubling Farmers Income by 2022 • Increase in Minimum Support Prices • Minimum fixed pension to small and marginal farmers • Food grains at zero cost under PM Garib Kalyan Yojana 	<ul style="list-style-type: none"> • Agriculture Export Policy aims to double exports by 2022 and reach INR 7.4 Lakh Crore in next few years • PM Garib Kalyan Yojana (part of AtmaNirbhar Bharat) aims to supply free food grains to migrants and poor
 <p>FMCG</p>	<ul style="list-style-type: none"> • FDI relaxation for single and multi brand retails • Transformation of logistics and warehousing facilities (due to GST) • Wi-Fi hotspots across 1,000 gram panchayats • Construction of roads under PM Gram Sadak Yojana 	<ul style="list-style-type: none"> • As a pilot, the government through its Digital Village program intends to provide free WiFi hotspots at more than 1,000 gram panchayats • PM Gram Sadak Yojana is a nationwide program to provide good all-weather road connectivity to unconnected villages
 <p>Consumer durable</p>	<ul style="list-style-type: none"> • FDI relaxation for single and multi brand retails • Amended incentives manufacture locally • Promote rural regions as investment destinations • Incentivise rural employment through policies 	<ul style="list-style-type: none"> • National Policy on Electronics promotes incentives that encourage rural development and increase rural employment • "Make in India" program aims to transform India into a global design and manufacturing hub.
 <p>Banking</p>	<ul style="list-style-type: none"> • Rural financial inclusion through Jan Dhan Yojana • Issuing Kisan Credit Cards • Linking SHGs with banks • Promotion cashless economy through Direct Benefit Transfer, PM-JDY, RuPay cards, etc. 	<ul style="list-style-type: none"> • PM Jan Dhan Yojana aims to expand affordable access to financial services • Kisan Credit Card aims to provide farmers with term loans for agricultural needs
 <p>Rural development initiatives</p>	<ul style="list-style-type: none"> • INR 40,000 Crore as stimulus for implementing MGNREGS • Rural and skilling initiative under Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) • INR 50,000 Crore under Garib Kalyan Rojgar Abhiyaan in 116 districts of 6 states 	<ul style="list-style-type: none"> • MGNREGS provides guarantee to the 'right to work' • DDU-GKY aims to transform rural youth into economically relevant workforce • Garib Kalyan Rojgar Abhiyaan launched to tackle the impact of COVID on migrant workers

Bibliography

1. Das, A., Raja, R., & Patnaik, N. M. (2020). Status, impact, and factor determining rural non-farm economy of India: A review. *Indian Journal of Economics and Development*, 16(2s), 68-76.
2. Rahul Kumar, MS Abdin (2020). Rural Economy of India helping India become a 5 Trillion Dollar Economy: contribution, Opportunities and Challenges, 1009- 1018.
3. Sumanta Bhattacharya (2022). Contribution of the Agriculture sector to the economic growth of India with both being interdependent on each other, a101- 106
4. Economic Survey (2021-2022). Agriculture and Food Management, 235 -260.
5. NITI Aayog. (2017). Changing Structure of Rural Economy of India Implications for Employment and Growth.
6. Time for Gramodaya: Rural economy has been resurgent, but, more needs to be done to help it soar. (2020, August). *Financial Express*
7. KPMG & Confederation of Indian Industry Report : India's rural Economy: Key to economic revival and sustainable and equitable growth (2020)