

# Economic system of rural India

Akriti Chandra

Student, Department of commerce and management, University of Delhi,  
New Delhi, India

## ABSTRACT

*The study talks about the state of rural economy in India. It focuses on various sectors associated with it in India such as agriculture, industry, services, health and education, digital penetration, environmental activities etc. Each sector has been studied very deeply from past (history) to the present to the future. All possible aspects are being covered. Recently COVID 19 has also impacted the rural economy in both positive and negative ways in both long and short run. Traditionally agriculture has been called the basic culture and identity of rural india. It's like the backbone and blood of Indian village economy for centuries. But in recent decades a small shift has been seen in the trend. Slowly the village economy is getting more diversified from Its concentrated nature. Secondary and tertiary sectors are also gaining importance in the rural economy. Gradually the share of these sectors is improving in the village economy.*

*Digitalisation and environmental impact assessment is a very recently added indicator of rural economic progress. Digital needs arise because of technological advancement. It creates efficiency in the work environment. Now It has become the basic needs and rights of all individuals. Environmental issues have created a very challenging situation for mankind. However mankind itself is responsible for such challenges. Environmental factors highlight the net positive Or negative Or no impact on the environment due to economic activity. Government schemes available on all possible aspects are also being highlighted along with Its challenges.*

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## Introduction

Village economy was the pillar of indian economy at the time of independence. Gradually with the introduction of industrial policy, the focus more shifted towards the industrial sector which is always goods in the phase of transformation. But unfortunately this shift was not carried in rural india. Entire focus was there on the urban economy. Probably this could be the reason behind unequal development of rural and urban front. After the new economic policy of 1991 the importance shifted even more from village economy to urban area economy. Currently around 50% of the population is living in the village area but their gdp contribution is merely 20%.

## Literature review

According to the 2011 census of India, 68.84% of the population (around 833.1 million people) concentrated in villages. The current trend of reverse migration during covid period has increased the importance of the village economy. Village can be of two types: rural village located in rural area and urban village located in urban area. Agriculture, forest, dairy, handloom and handicraft are the basic source of employment in indian villages.

## Health and education-

Health and education is the base on which the pillars of any economy is standing. If the base will be weak then the entire building will be like a hollow structure. Indian rural area is extremely lacking with this

strong foundation stone. This problem has many cascading effects which could further multiply the problems. Even after 73 years of nation independence we have not been able to create an efficient institutional structure in the village which could create this strong foundational stone. Although there has been improvement but the rate of improvement in the past 70 years is not very sufficient. Further there exist gender disparity, caste disparity, regional disparity, income disparity in Indian education and health sector. The disparity exists even more in rural areas. This disparity creates socioeconomic inequality on mass scale.

#### **Agriculture and allied activity-**

A country's economic growth is not "justifiable and equitable" unless the benefits are reflected in the farm sector. Farming is the fabric of rural society. Indian rural economy is mostly agriculture driven. It has become one of our rural heritage. On an average more than 70% of the rural population is agriculture driven in terms of employability. In terms of GDP also the figure is almost the same. Agriculture in broader terms it includes basic agriculture plus dairy, fishery, poultry farming, pisciculture etc. Various reports have shown that the trend of agricultural employment is reducing in village areas and now people are shifting more towards non agricultural activities however the data is very insignificant when compared with urban areas.

The agriculture sector of India has occupied almost 43 percent of India's geographical area. It is the largest provider of livelihood in rural India. Providing raw material to industrial products and also the market for Industrial Products.

Unfortunately the growth in agricultural production has been stagnant for the past several years. Indian agriculture is still very dependent primarily on the monsoons. Fragmented land holding, inefficient production and marketing in agriculture sectors, lack of commercialisation and corporatisation in the sector has made the sector more inefficient, having low commercial potential. Shortage of cold storage and warehouse efficient cold storage transportation system leads to large scale wastage of produce.

Agri business and new farm law 2020 can make the agriculture sector more efficient at par with other sectors. The 1991 policy of liberalisation, privatisation and globalisation includes only the secondary and tertiary sector. This new farm law is very similar to that. It's like LPG policy for the agriculture sector. MSP is definitely like a lifeline of farmers acting like a protection shield, but at the same time it is making farmers handicapped and more non competitive.

In the dairy sector India's performance has been remarkable since white revolution (Operation Flood) of 1970. India is the second largest dairy producer after China. Large scale commercialisation and corporatisation in the sector has made it more efficient.

National Sample Survey Office (NSSO) data shows that more than one-fifth of rural households with self-employment in agriculture have income less than the poverty line. Reducing the dependence of rural masses on agriculture will help improve the overall income of the rural population plus increase the importance of agriculture. According to a NITI Aayog report, income per farmer is around one-third of the income per non-agriculture worker.

Feminisation of agriculture' is "not to be celebrated", because farm jobs keep women confined to "low paid, insecure and oppressive labour relations". However it is not always true but in Indian context it is majorly seen. Agricultural work is indicative of "a patriarchal ideology and a socio-cultural value system"

Young generation must learn the self employment potential which Indian villages have. They have that culture of self employment and are not dependent on any commercial job opportunity. (Somehow our education system is designed in such a way that it has made our young generation more of a job seeker.

Earlier this concept was not that much prevalent ). Agriculture is a sector having largest self employment potential.

#### **Industry-**

Industrial penetration in villages has never been at par with urban areas. Rural industry is not very diversified. They are mostly concentrated in a few sectors such as handlooms, handicraft, and other small scale tiny industries. It also lacks export potential.

In recent decades there has been a substantial growth in employment in the construction sector in rural areas because of the MGNREGA scheme. It has emerged as a big substitute against agricultural employment, but, again, the construction sector has its own drawbacks. It is not a high paying job and is not very reliable in the long run. The sector sometimes has negative implications on workers' health as well. The manufacturing sector in rural India contributes 18% to rural output, but employs only 8% of the rural workforce. It has also been inefficient in giving mass scale employment opportunities. Further the sector also needs huge capital investment at the beginning. Scope of self employment is also little less in the sector unlike the agricultural sector. It has created a culture of job seekers in the rural economy which was less prevalent earlier. Rural industry is also a big source of women employment.

#### **Service-**

Tourism, transport, logistics, warehouse, banking, insurance can act as both employment providers along with a support system in growth and development of primary and secondary sector. They act like a catalyst in economic activity who can make the business environment more efficient one. The penetration of these sectors in rural areas are at little progress. In order to speed it up it is very necessary to make capital investment in the sector along with skill development. It is very critical to impart skills to the rural workforce appropriately to enable them to get absorbed in the non-agriculture sector.

#### **Digital penetration-**

This is a new indicator of economic progress. It directly impacts education, healthcare, entertainment, ecommerce, ease of doing business, governance and also improves the quality of life. Bharat net has been one of the very successful initiatives in achieving the target of inclusive digital society. As part of the program, the government aims to connect all 250,050 gram panchayats (GPs) in the country with high speed broadband, with last mile internet connectivity to be ensured through Wi-Fi hotspots. There has been the continuous increase in digital quality of life in rural areas since the inception of the scheme.

#### **Economic infrastructure-**

It includes banking Insurance, connectivity and mobility, electrification, housing, schools, hospitals, roads, clean drinking water, irrigation facility, sanitation, employment opportunity, developed market area for both business to consumer (B2C) and business to business (B2B) transactions. common service centre etc. Indian villages lack many of these things. Under swachh bhara abhiyan huge focus has been given to sanitation. Recently India has been declared open defecation free (ODF) country.

We have also almost achieved electrification targets in rural areas. Approximately 90 percent of villages in India were estimated to be electrified in 2019. The Saubhagya scheme or Pradhan Mantri Sahaj Bijli Har Ghar Yojana aimed to provide electricity to all households in the country.

Other than electrification and sanitation there is a huge scope of improvement in all other indicators. There are schemes like Pradhan mantri aawas yojna, Har ghar jal scheme, MGNREGA etc on an active phase. We must hope the target could be achieved in stipulated time.

#### **Environmental indicators-**

This has also become one of the priorities of economic development. Now economic development is not more only economic in nature. It needs to include both economic and environmental progress. Environmental activity needs to be made complementary with all other economic activity for long term sustainability and to compensate for the drawbacks of economic activity.

**Opinion-**

To fulfill the dream of smart villages and long term sustainability, there needs to be increased focus from the basics of health and education to economy and environment. Smart village means an adaptive village where there is a proper balance between economy and environment.

Keeping the targets in mind and the current status of rural India there needs to create a proper model of economic ecosystem in villages.

The very first thing that is required is formalisation of the economic structure of the village. It will help in record keeping and proper investigation and analysis of strength and weakness. Further it will help in assessment of results and finding deviation in actual performance from the set target. Proper data record can also help in analysis and policy formulation. Transparency and accountability will also increase. Adhar pan has already created the basic structure of the system. It just needs to be enhanced more.

Second thing is to have an increased focus on the health and education sector. Skill development is also an indicator (newly added) of human capital formation along with health and education. Their spread needs to be very much inclusive and equitable in all the sectors.

Third thing is to create proper socio economic infrastructure to accelerate the growth and development of the village economy. It will require huge capital investment but has potential to give a return in the long run.

Fourth thing is to have a 360 degree approach to development. Village economy should not be restricted only to agriculture. Even efficient agriculture needs to have support from other sectors such as banking, Insurance, proper market structure, and the support of Its allied activities. Diversification creates assurance and reduces risk of the market. Therefore diversification is very much required in any economy.

Lastly environmental issues must not be ignored. Environmental planning must run in parallel with economic planning. Both preventive and curative action should be taken whenever required.

**Conclusion**

Broader target of a 5 trillion dollar economy should be added with the goal of a zero carbon economy. There needs to have smaller targets for a more targeted approach to development. A proper village economy model needs to be created. Where there needs to have an enhanced focus on all basics. Indian villages should aspire to become self-reliant at least in fundamentals. There should be increased focus on the strengths and opportunity that a particular village should have. Skill development can act as a big solution for those who are not educated. It increases the chances of getting employed. Further all types of leakages in the system needs to be removed. The leakages can be in the form of both financial nature and non financial nature.

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