



State of Rural India

Prelims: Union Budget 2023-24, Gross Domestic Product (GDP), health insurance, Pensions.

Mains: State of Rural India, challenges and Potential.

Why in News?

Rural India is already in distress, yet the [Union Budget 2023-24](#) did not offer much to revive the economic growth, instead **it made severe cuts in the allocations to subsidy schemes**, with some crucial schemes receiving marginal rises in allocations.

How has the Union Budget Fared for Rural India?

- **Agriculture and Allied Activities:**
 - There is marginal rise in the allocation of agriculture and allied activities, including [PM KISAN](#), from Rs 1.36 trillion crore in FY23 to Rs 1.44 trillion crore in FY24 (an increase of 5.8 %).
- **Agriculture Research and Development:**
 - On agriculture R&D, the allocation is only Rs 9,504 crore, although it is higher than Rs 8,658 crore in FY23.
 - This is only 0.4 % of agri gross value added, while other countries spend 1-2 % of **agri Gross Domestic Product (GDP)**.
- **Agri Subsidy:**
 - The **Food Subsidy saw a 31% cut** in this budget. It now has an allocation of Rs 197,350 crore, from Rs 287,194 crore last year.
 - **Fertilizer subsidy saw a 22% cut** from last year and now has an allocation of Rs 175,099 crore.
 - Subsidies on [Liquified Petroleum Gas \(LPG\)](#) for the poor have been reduced by 75% to Rs 2,257 crore now.
 - The budget for the **procurement of cotton by Cotton Corporation under Price Support Scheme** has been reduced to Rs 1 lakh from Rs 782 crore in 2022-23.

What is the State of Rural Economy?

- **About:**
 - As per the [Economic Survey 2022-23](#), 65% of India's population lives in the rural areas and **47% of the population is dependent on agriculture for livelihood**.
 - Contrary to the common perception about predominance of agriculture in the rural economy, about **two thirds of rural income is now generated in nonagricultural activities**.
 - According to the Economic Survey, the agriculture sector has grown at an **average annual growth rate of 4.6% in the past six years**. However, agriculture and **rural incomes are under stress for several reasons**.
- **Economic Situation:**

- **Before Pandemic:**
 - According to the **National Statistical Office**' Situation Assessment Survey (SAS) of agricultural households for the 2018-19, showed the unprecedented crisis in India's economy driven by declining demand and supply disruptions.
 - Even before 2014, **there were signs of distress following a sharp slowdown in the economy** and a rise in input costs driven by rising wages, faulty implementation of India's fertilizer-subsidy reforms and higher fuel prices.
 - The back-to-back drought in 2014 and 2015 added to the misery.
 - But before the agricultural sector could revive in 2016, **demonetization** caused disruptions that left many farmers unable to sell.
 - Since then, the economy has experienced **a sharp slowdown, followed by the covid pandemic.**
- **After Pandemic:**
 - Per capita incomes in real terms in 2021-2022 are still below the 2018-2019 levels, and the overall growth between 2016-2017 and 2021-2022 is at its lowest level of **3.7% for any five-year period** in the last four decades.

What are the Challenges to the Rural Economy?

- **Inflation:**
 - The purchasing power of the rural population has declined due to higher **Inflation** in rural areas. Real rural wage growth **has been negative due to high inflation.**
 - Weak rural demand has been **a concern for fast-moving consumer goods** and other consumer durables, although we see a few green shoots now.
- **Agriculture Sector Issues:**
 - Agriculture is the primary source of livelihood for many rural households in India.
 - Issues such as lack of **irrigation facilities, inadequate credit facilities, low prices for agricultural produce,** and unpredictable weather conditions can lead to crop failures, mounting debt, and declining incomes for farmers.
- **Lack of Rural Employment Opportunities:**
 - Limited employment opportunities in rural areas have forced **people to migrate to urban areas** in search of work, leading to **social and economic dislocation** of rural communities.
- **Poor Infrastructure:**
 - Lack of access to basic amenities such as water, electricity, healthcare, and education facilities in **rural areas have limited the potential** of these areas to develop and grow.
- **Inadequate Social Protection:**
 - Lack of adequate social protection mechanisms such as **health insurance, old age pensions, and disability benefits** has resulted in increased vulnerability of rural households.
- **Lack of Fiscal Autonomy:**
 - Panchayats **have only limited powers with regard to setting tax rates** and revenue base since broad parameters for such exercises are fixed by the state government.
 - Resultantly, the extent of vertical gap and volume of conditional grants are much higher.
 - It reduces the **fiscal autonomy** of the Grama Panchayats and allows only feeble scope for freedom of borrowing and development.

What are the Constitutional Provisions Related to Rural Development in India?

- **Article 40** enshrines one of the **Directive Principles of State Policy** lays down that the State shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government.
- Panchayati Raj Institutions was constitutionalized through the **73rd Constitutional Amendment Act, 1992** to build democracy at the grass roots level and was entrusted with the task of rural development in the country.
- **The Eleventh Schedule** of the Constitution places as many as **29 functions within the purview of the Panchayati Raj bodies** including agricultural extension, land improvement, implementation of land reforms etc.
 - Panchayats are empowered to prepare plans for economic development and social justice

in respect of subjects as devolved by law to the various levels of Panchayats including the subjects as illustrated in Eleventh Schedule.

What are the Initiatives Related to Rural Empowerment?

- [Deen Dayal Upadhyay Grameen Kaushalya Yojana](#)
- [Pradhan Mantri Kaushal Vikas Yojana](#)
- [Pradhan Mantri Matru Vandana Yojana](#)
- [Mahatma Gandhi National Rural Employment Guarantee Act](#)
- [National Rural Livelihood Mission](#)
- [Pradhan Mantri Awas Yojana](#)

Way Forward

- The Economic Survey 2022-23 highlights **the need for reorientation in the face of challenges** such as climate change, rising input costs, and low productivity.
- Investment in infrastructure and R&D needs to be increased by relooking at subsidies, and **focus is needed on diversification to millets, pulses, oilseeds**, horticulture, animal husbandry, dairying, and fisheries.
- The survey also **calls for attention to be given to the rural non-farm sector and for policies to revive incomes and employment for MSMEs.**
- States in India spend 60% of government expenditure, 70% of education and health spending, and a larger share in public capital expenditure. The **Centre has to work closely with states in improving incomes and livelihoods**, inclusive growth and sustainability in agriculture and rural areas.

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)

Source: DTE

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