


# NABARD GRADE A

## ARD Static

Structure of the indian rural economy



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## Features of the Indian Rural Economy

### 1.1 Introduction

- ✓ The term “**rural area**” has been **defined in various ways by various economic agencies**, a few of which are as follows:
  - **According to NSSO**, National Sample Survey Office, the term rural is defined as
    - An **area comprising a population density of 400 people per square kilometre.**
    - An **area with no municipal board** but has a **clear surveyed boundary.**
    - A **minimum of 75% of male working population** involved in **agriculture and allied activities.**
  - **According to the Planning Commission**, an area with a **maximum population of 15,000** is considered rural in nature.
  - **According to the RBI**, based on the size of the population, a centre, where bank branch is located, the term rural area may be defined as **an area with population less than 10000**

*As per the Census 2011, the rural sector means any place which meets the following criteria;*

- *A population of less than 5,000*
- *Density of population less than 400 per sq km and*
- *more than "25 per cent of the male working population" is engaged in agricultural pursuits.*

- ✓ **Census data** have always been **presented for rural and urban areas separately.**
- ✓ The **basic unit for rural areas** is the **revenue village** which has **definite surveyed boundaries.**
- ✓ The **revenue village** may comprise **several hamlets** but the **entire village** has been **treated as one unit for presentation of data.**
- ✓ In **unsurveyed areas**, like **villages within forest areas**, each habitation area with **locally recognized boundaries** within each **forest range officer's beat**, was treated as one unit.

### Important data (as per Census 2011)

Population (in Crore)			
	2001	2011	Difference
India	102.9	121.0	18.1
Rural	74.3	83.3	9.0
Urban	28.6	37.7	9.1

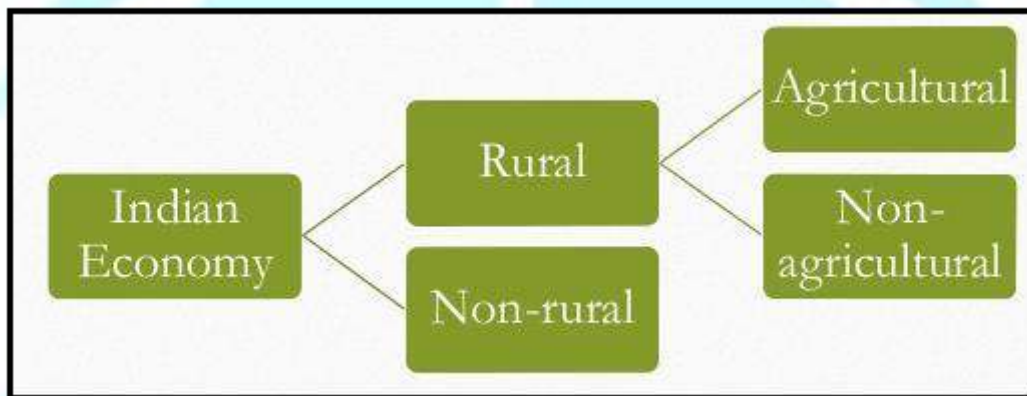
- ✓ For the first time **since Independence**, the absolute **increase in population is more in urban areas** than in rural areas.
- ✓ **Rural – Urban distribution:** 68.84% & 31.16%
- ✓ **Level of urbanization** increased from 27.81% in 2001 Census to 31.16% in 2011 Census.
- ✓ The **proportion of rural population declined** from 72.19% to 68.84%.

## Rural Population in States@

<u>Top Three States:</u>	Absolute	Share*
• Uttar Pradesh:	155.11 million	18.6%
• Bihar:	92.07 million	11.1%
• West Bengal:	62.21 million	7.5%
 <u>Bottom Three States:</u>		
• Sikkim	0.45 million	0.1%
• Mizoram	0.52 million	0.1%
• Goa	0.55 million	0.1%

Note: \* - Share to total Rural Population in the country.  
@ - Excludes UTs.

## 1.2 Structure of the Indian Rural Economy



## 1.3 Features of the Indian Rural Economy

### 1.3.1 Low per capita income

- ✓ **The Per Capita Income in real terms** (at 2011-12 Prices) during 2019-20 is estimated to attain a level of ₹ 94,954 as compared to ₹ 92,085 in the year 2018-19, resulting in **growth of 3.1 percent during 2019-20**, as against 4.8 per cent in the previous year.
- ✓ **The Per Capita Income at current prices** during 2019-20 is estimated to be ₹ 134,226, showing a **rise of 6.1 percent** as compared to ₹ 1,26,521 during 2018-19.
- ✓ **The per capita income for 2011-12** in the country for urban areas was Rs.1,01,313 and for rural areas it was Rs 40,772.
- ✓ Here we see a big gap between the two.

### Per Capita Income:

*Per capita income, also known as income per person, is the mean income of the people in an economic unit such as a country, state or District. It is calculated by taking a measure of all sources of income in the aggregate (such as GDP or Gross national income) and dividing it by the total population of country, state or District.*

### How can the gap be reduced?

- ✓ There is a **need to help the people diversify the agriculture production.**
- ✓ People in **agriculture sector should be encouraged** to grow multiple crops spanning different sowing seasons.
- ✓ **People** forming a part of the rural economy **should be encouraged to take up activities other than agriculture** also like bee-keeping, handicrafts etc.
- ✓ There needs to be a **concentrated effort in skilling the people of rural India.**

#### 1.3.1.1 Commercialization of Agriculture

*Commercialization of agriculture is a phenomenon where agriculture is governed by commercial consideration i.e. certain specialized crops began to be grown not for consumption in village but for sale in national and even in international market.*

*Commercialization of agriculture in India began during the British rule.*

- ✓ In the present days, a **large part of rural economy has been opened up**, which has made commercialization of agriculture possible.
- ✓ The **extent of commercialization of agriculture** in rural economy **marks the stage of its development.**

**The major factors contributed to the commercialization of agriculture are as follows:**

- ✓ **High production and productivity** gains have turned out agriculture to be a profitable proposition.
- ✓ **Increase in production** was possible due to the use of **advanced technology** in agricultural operations.
- ✓ **Massive expansion of road transport** has reduced the distance between rural and urban areas.
- ✓ **Development of regulated markets and cooperative marketing** structure have helped the farmers to break away from village system of moneylenders and middlemen.

**Note:** This commercialization of Agriculture is seen as a feature in some parts of the country. We cannot call it a pan-India feature.

- **For example** the irrigated areas in Deccan have taken to the cultivation of sugar-cane; Jute in Bengal and wheat in the canal colonies of the Punjab.

**Rural Society under the Impact of Urbanism (this is one of the changing features of the rural society):**

- ✓ The rural society of India is getting **exposed to the waves of urbanism.**
- ✓ **Most of the features** of urban areas have been **modified and diluted into the rural society.**
- ✓ This has led to a **new way** of urbanism called **rural-urbanism.**
- ✓ Urbanism has **induced the disintegration of traditional joint family**, disappearance of neighbourhood, sophistication, emergence of individualism, etc.
- ✓ **Urbanism also created new social institutions**, which were absent in the traditional rural set up.

- ✓ **Contacts** between the rural and urban areas **have been increased due to the development of the means of transportation.**
- ✓ Similarly, **the means of communication** such as radio, transistor, television and telephones **have brought the remote villages nearer to the urban towns.**
- ✓ **Increase in the contacts** between the rural and urban areas has enabled a **quick assimilation of rural areas** with the mainstream of urban life.
- ✓ **Earlier, the demand of rural India to the industrial goods was limited** only to the basic necessities. However, the situation has changed now.
- ✓ Today, **rural India** is seen as the **potential market** to the industrial goods.
- ✓ Observing such a situation, **many industries have been flourished in rural areas**, which are **rich in the resources** needed for the setting up of industries.

#### 1.3.1.2 Institutional Participation

- ✓ **After independence**, the state had taken the responsibility of rural reconstruction and development.
- ✓ It had brought about **important changes** in the production relations. **Abolition of intermediaries, security of tenancy, ceiling on holdings, etc.,** were **some of the important legislations** made, which improved the relations of production.
- ✓ A **number of rural development programmes** were taken up.
- ✓ These programmes also contributed in bringing about **modernization in villages.**

#### 1.3.2 Excessive dependence of agriculture and primary producing:

- ✓ Indian economy is characterized by **too much dependence on agriculture** and thus it is primary producing **and 72.4 per cent of workforce resides in rural areas.**
- ✓ But times are changing, though there's a long way to go. As per various studies conducted recently, it is now evident that about **two third of rural income is generated in non agricultural activities.**
- ✓ Similarly, it's a fact that **more than half of the value added in manufacturing sector** in India is **contributed by rural areas.**

#### 1.3.3 High rate of population growth

- ✓ India is maintaining a **very high rate of growth of population since 1950.** Thus, the pressure of population in our country is very heavy.
- ✓ For the first time since Independence, **the absolute increase in population is more in urban areas** than in rural areas.
- ✓ One of the **major factors** for the **decrease in the growth rate of rural areas** is **urbanization and migration.**
- ✓ **High rate of growth of population** necessitates a **higher rate of economic growth** just for maintaining the same standard of living which imposes a **greater economic burden** on the economy of our country.

The **problem of various types of unemployment** are:

#### 1.3.4 Chronic unemployment

- ✓ **Rapid growth of population** coupled with inadequate growth of secondary and tertiary occupations are responsible for the **occurrence of chronic unemployment** in the rural sector.

- ✓ **Chronic Unemployment** occurs when **unemployment tends to be a long-term** feature of a country.
- ✓ It is due to this reason there exists the issue of **disguised unemployment in India**.

#### **Disguised unemployment in India:**

- ✓ *A disguisedly unemployed person is the one who seems to be employed but actually he is not.*
- ✓ *His contribution to the total output is zero or negligible.*
- ✓ *When more people are engaged in a job than actually required, a state of disguised unemployment is created.*
- ✓ *It is mostly seen in rural areas. |*



### **1.3.5 Poor rate of capital formation**

- ✓ To achieve an **Optimum rate of economic growth**, the **rate of capital formation** should be above 40% of GDP.
- ✓ The **low level of capital formation in India** is also due to **weakness of the inducement of invest** and also due to low propensity and capacity to save.
- ✓ But considering the **heavy population pressure** and the **need for self sustained growth**, the **present rate of saving** needs to be increased thus **decreasing the dependency on external sources** to maintain the rate of capital formation.

### **1.3.6 Inequality in the distribution of wealth**

- ✓ India is one of the most **unequal region in the world**.
- ✓ The **billionaire boom** is **not a sign of a thriving economy** but a **symptom of a failing economic system**.
- ✓ The **growing divide undermines democracy** and **promotes corruption and cronyism**.
- ✓ **Maldistribution in income** is the result of inequality in the distribution of assets in the rural areas.
- ✓ As per the **Socio-Economic and Caste Census (SECC)** survey, a **staggering 92% of rural households** reported their **maximum income below Rs 10,000 per month**.
- ✓ SECC reports that only about **10% of rural households have salaried jobs**. Of these, about **two thirds are in public sector**, and a third, 6.4 lakh in all, work regular private sector jobs.
- ✓ Moreover, **less than 5% of the rural households pay income tax or professional tax**. This is mainly because **agricultural income is not taxed** and with **over 92% households earning less than Rs.10,000**, most don't qualify.

### 1.3.7 Poor quality of human capital

- ✓ Indian economy is suffering from its **poor quality of human capital**.
- ✓ **Mass illiteracy** is the root of this problem and illiteracy at the same time is **retarding the process of economic growth** of our country.
- ✓ **As per 2011 census, 74.04 percent of the total population of India is literate** of which **67.8 per cent of the total rural population** and **84.1 percent of the total urban population is literate**.
- ✓ In **most of the developed countries** like U.S.A., U.K., Canada, Australia etc. **the level of illiteracy is even below 3 per cent**. Moreover, the problem of illiteracy in India makes way for conservatism and this is going against the rural economy of the country.
- ✓ Besides, **low level of living** is also **responsible for poor health condition** of the general masses. All these have resulted the problem of poor quality of human capital in the country.

### 1.3.8 Low level of technology

- ✓ The **rural economy** of our country is **suffering from technological backwardness**. Obsolete techniques of production are largely being applied in both the agricultural and industrial sectors of our country.
- ✓ **Employment growth is critical in low-productivity agriculture**, which accounts for nearly three-quarters of the poor population. But **automation threatens to create more unemployment**. Also, it would be very much difficult to adopt modern technology in Indian productive system with its untrained, illiterate and unskilled labour.
- ✓ Through its **Digital India programme**, GOI is working to transform the country's rural economy and create skilled jobs in rural areas.
- ✓ For the estimated 156 million Indian rural households, most living in poverty according to **India's National Sample Survey Organization (NSSO)**, there is **need for investment in transportation, power, and internet access to create more employment for women and youth in rural areas**.

### 1.3.9 Under-utilisation of natural resources

- ✓ In respect of **natural endowments India is considered as a very rich country**. Various types of **natural resources**, viz., land, water, minerals, forest and power resources **are available** in sufficient quantity in the various parts of the country.
- ✓ But due to its various inherent problems like **inaccessible region, primitive techniques, shortage of capital** and **small extent of the market** such **huge resources remained largely under-utilised**.
- ✓ A **huge quantity of mineral and forest resources** of India still **remains largely unexplored**.

### 1.3.10 Lack of infrastructure

- ✓ **Lack of infrastructural facilities** is one of the serious problems from which the Indian economy has been suffering till today.
- ✓ These infrastructural facilities include **transportation and communication facilities, electricity generation and distribution, banking and credit facilities, economic organisation, health and educational institutes** etc.
- ✓ The **two most vital sectors**, i.e. agriculture and industry could not make much headway in the absence of proper infrastructural facilities in the country.
- ✓ Moreover, **due to the absence of proper infrastructural facilities**, development potential of different regions of the country **largely remains under-utilised**.
- ✓ The following are the **10 infrastructural developments** rural area needs now **in order to raise the standard of overall economy of india.:**



- Waste management system
- Availability of Power
- Roads
- Bridges
- Schools
- Hospital
- Affordable housing
- Telecom
- water supply
- Sanitation facilities

### 1.3.11 Low level of living

- ✓ **The standard of living** of Indian people in general is considered as very low. Nearly **25 to 40 per cent of the population in India suffers from malnutrition**. The average protein content in the **Indian diet is about 49 grams only per day** in comparison to that of more than double the level in the developed countries of the world.
- ✓ The **present calorie level in India is just above the minimum caloric level** required for sustaining life which is estimated at 2100 calories.
- ✓ Some of the **major causes** for malnutrition in India are **Economic inequality**. Due to the low social status of some population groups, **their diet often lacks in both quality and quantity**.
- ✓ Based on **data collected between 2011 and 2013**(SECC, Socio Economic and Caste Census), it showed that **One in three rural families was landless and dependent on manual labor** for its livelihood.
- ✓ In around **75 percent of rural households**, the **highest-earning member earned less than 5,000 rupees** (\$79, or 71 euros) per month. Barely one in 10 homes has a refrigerator, the report showed.
- ✓ Although **living standards in some Indian cities and towns have improved rapidly** in the past two decades, **rural areas are still lagging behind**.
- ✓ Some of the **major causes for malnutrition in India are Economic inequality**. Due to the low social status of some population groups, their diet often lacks in both quality and quantity.
- ✓ **A balanced diet** should provide **around 50-60% of total calories from carbohydrates**, preferably from complex carbo-hydrates, **about 10-15% from proteins** and **20-30% from both visible and invisible fat**.
- ✓ In addition, a **balanced diet should provide other non-nutrients** such as dietary fibre, antioxidants and phytochemicals which bestow positive health benefits.
- ✓ **Antioxidants** such as **vitamins C and E, beta-carotene, riboflavin** and **selenium** protect the human body from free radical damage.
- ✓ Other **phytochemicals** such as polyphenols, flavones, etc., also afford protection against oxidant damage. Spices like turmeric, ginger, garlic, cumin and cloves are rich in antioxidants.
- ✓ The recommended **dietary allowance of protein for an average Indian adult is 0.8 to 1 gm per kg** body weight, however, the average intake is about 0.6 gm per kg body weight.

RECOMMENDED DIETARY ALLOWANCES FOR INDIANS (Macronutrients and Minerals)							
Group	Particulars	Body wt. kg	Net Energy Kcal/d	Protein g/d	Visible Fat g/day	Calcium mg/d	Iron mg/d
Man	Sedentary work	60	2320	60	25	600	17
	Moderate work		2730		30		
	Heavy work		3490		40		
Woman	Sedentary work	55	1900	55	20	600	21
	Moderate work		2230		25		
	Heavy work		2850		30		
	Pregnant woman		+350	82.2	30	1200	3-5
	Lactation 0-6 months		+600	77.9	30	1200	25
	6-12 months		+520	70.2	30		
Infants	0-6 months	5.4	92 Kcal/kg/d	1.16 g/kg/d	-	500	--
	6-12 months	8.4	80 Kcal/kg/d	1.69 g/kg/d	19		46 µg/kg/day
Children	1-3 years	12.9	1060	16.7	27	600	09
	4-6 years	18	1350	20.1	25		13
	7-9 years	25.1	1690	29.5	30		16
Boys	10-12 years	34.3	2190	39.9	35	800	21
Girls	10-12 years	35.0	2010	40.4	35	800	27
Boys	13-15 years	47.6	2750	54.3	45	800	32
Girls	13-15 years	46.6	2330	51.9	40	800	27
Boys	16-17 years	55.4	3020	61.5	50	800	28
Girls	16-17 years	52.1	2440	55.5	35	800	26