

Rural India, a reality check

Rajesh Shukla | The Financial Express | August 14, 2015 12:28 am

The assumption that rural households are largely dependent on farm income is no more valid

There is a quiet change sweeping through the Indian countryside, one that has virtually crept up on us during the past decade. Yet few people realise the implications and consequences of the enormous changes taking place. Let's take a closer look at some of these realities and what these signify for the well-being of not just the 800 million people living in its 6 lakh villages but the entire nation.

Rural India's share of national income and expenditure is above the half mark. The ICE 360 survey (2014) reveals that rural India contributes over half of India's income (55.4%), has a share of 56.1% of consumption expenditure, and its 179.5 million households have a share of 52.3% of the country's surplus income. The fact of the matter is that while most of the bottom of income pyramid families live in rural India, around half of the upper income households are also located there. The good news is that rural poor have increased their consumption more than urban poor. The bad news is that there is a huge income disparity between the rich and the poor in rural India which continues to widen.

The perception of rural India is one of a large population comprising small and marginal farmers with pockets of rich farming households in the so-called food baskets of Punjab and Haryana. The truth is half of all rural households do not have any land holdings, 37% are marginal farmers, 7% are small farmers, 3% have small-to-medium sized farms, 2% have medium-sized farm holdings and 0.1% have large cultivable land holdings.

The assumption that rural households are largely dependent on farm income is no more valid. Consider this: A little over a quarter of all the households (25.8%) or 46.2 million families in rural India depend on incomes from cultivation of land. An overwhelming majority (76.2 million households, 42.5%) earn their livelihood from non-farm activities. There are 39.2 million families (21.8%) that are dependent on a combination of farm and non-farm incomes. This indicates that agriculture-dependence has gone down drastically.

Interestingly, the households that depend on a combination of farm and non-farm activities are the ones that are doing better than other households on the income, expenditure and surplus income fronts. Thus, for the 10 million households mentioned above, annual surplus income at R62,434 is twice that of the other group whose surplus income stands at R27,393. Significantly, nearly 55% of all households that rely only on farm incomes are to be found in the Underdeveloped Rural areas, while 30% live in Emerging Rural areas and just 15% in Developed Rural.

These changes in the structure of the rural economy have widespread implications for policy-makers. While it is true that a large population of Indians are still stuck in the dark underbelly of rural India, as discussed in yesterday's article (<http://goo.gl/7rMeUI>), the fact remains that most central and state government subsidies are being directed towards large agricultural landowners that constitute a tiny percentage of the rural population.

This focus has led to a situation where linkages between agriculture and nutrition have been severed. Right through the 1990s and up to the first decade of the new millennium, food production has declined due to flawed agriculture policies. Subsidies, irrigation and investments have been directed at cash crops,

leading to a decline in food production across states. As a result, small and marginal farmers have had to rely on agricultural labour opportunities or bailed out completely from the farm sector. The ones that remain are trapped in a cycle of debt and low nutrition—as can be witnessed from high farmer suicide rates. MGNREGA, it has already been discussed, has addressed the income requirement of this population but only to a limited extent.

It is not surprising, then, that when asked about what worries them the most, households across all three rural economic clusters—Developed, Emerging and Underdeveloped—give top billing to personal and family health. Soaring health expenses and lack of adequate health facilities make the situation particularly worrisome. Safety and security too rank among the top concerns. For Emerging Rural households, finding jobs is a major concern. Law and order and the urgent need for job creation, therefore, assume significant importance in the current scenario. Rural India presents a challenge of huge proportions but one of the most heartening findings is the fact that across all rural household types, worries about “daughter’s wedding” has been downgraded.

Household type and level of earnings

Rural household type based on major source of income	Rural households (million, 2014)	Avg household income (₹ per annum, 2013-14)	Share of households (%)	Share of income (%)
Pure farm households	46.2	1,61,705	26%	25%
Farm with non-farm income	39.2	1,89,374	22%	25%
Agricultural labour only	17.8	92,230	10%	6%
Non-farm including casual labour	76.2	1,70,872	42%	44%
Total rural households	179.5	1,64,750	100%	100%

Source: ICE 360^o Survey (October 2014) from People Research on India’s Consumer Economy (PRICE)

The way forward for state and central governments is to focus on issues and create a healthy rural economy that offers opportunities in agriculture and non-agriculture sectors while enhancing skill-sets of people employed in both. Even as all-in-one-health-insurance (including crop and health insurance) is being readied to be launched by the central government, such schemes will only make a meaningful difference if they are targeted at financially vulnerable farming households. An annual premium of R700-1,300 that is being proposed would constitute almost 6% of the surplus income of a household that is completely dependent on farm income. Besides, with the clause that only a five-member household would be eligible for such an insurance policy, it would definitely rule out a major proportion of the intended target group. Only when schemes are tailored to meet the requirements of the most needy people, will government measures succeed in ensuring the overall well-being of the rural population.

The author is director & CEO, People Research on India’s Consumer Economy—ICE 360^o