

A Study on Policy Interventions in Reducing the Income Gap between Rural and Urban Areas in India

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Abstract

In the era of globalisation, there are still rural-urban regional inequalities in India. Rural-urban disparities are characterised from different perspectives such as geographically, politically, socially and economically. In the context of India, rural-urban inequality is seen from multiple dimensions viz., social and economic infrastructure, poverty, human development, etc. In the country, over 68.84% people are living in rural areas and their prime occupation has been agricultural sector. Whereas, in urban areas; people usually depended on industrial and service sector for livelihood. Ever since the implementation of economic reforms in India, it has created a divide between urban and rural areas in terms of socio-economic indicators and for the last two and half decades, rural-urban inequalities are uniquely identified by per-capita income for distinguishing between rural-urban regional imbalances in the country. Of late, the SECC (2011-12) report revealed that, rural per-capita income based on (NVA) stood at Rs. 40,772 and in urban areas, it stood at Rs. 1,01,313 respectively. In addition, as many as 13.39 crore out of 17.97 households from rural areas declared that, their income was less than Rs.5000 a month on account of over 70% rural households relied on agricultural sector in the country. In this direction, the government of India has launched a number of schemes to accelerate the agricultural growth with a view to double the farmers' income. In this regard, this paper examines about rural-urban inequalities, per-capita income difference between rural-urban areas and the government policy interventions in reducing the income gap between rural-urban areas in India.

Key words: Rural-urban inequalities, Per-capita income, Policy interventions

I. Introduction

Regional inequalities are existed across the world. Even in developed nations, disparities are widening and developing countries are also having huge imbalances in socio-economic indicators. In the context of India, inequalities are varying across regions, rural – urban areas on account of geographical, political and manmade causes. As per census (2011), around 68% population are residing in rural areas and rest of population are in urban areas in the country. The inequalities between rural and urban are characterized by variations in social and economic parameters, viz., the growth of Agriculture, industrial, and service sectors. In addition, rural and urban inequalities are seen in these indicators also such as per-capita income, literacy, infant mortality rate, life expectancy, etc. In respect of per-capita income, rural areas still lag behind in per-capita income comparatively to urban areas because of over 50% workforce in the country relied on agriculture sector. In support of it, rural per-capita income stood at Rs. 40,772 (2011-12) and in urban areas stood at Rs. 1, 01,313 (2011-12) respectively. An extremely slow rate of growth in the agriculture sector of the Indian economy has serious implications for the rural-urban divide, both in terms of income and GDP. Some estimates say that the average income of a person living in an urban area may be up to 4 times higher than that of a person living in a rural area.^[22] The rising levels of urbanisation in India are a major reason for the rising levels of income disparity in the country.

II. Review of literature

1. Viktoria Hnatkovska & Amartya lahari (April, 2015) – In this paper, authors examined about consequences of structural transformation and urbanisation for rural-urban inequality by focusing on the experience of China & India since 1980.
2. Aviral Tiwari & Muhammad Shahbaz (Jan, 2012) – This paper made analysis on the affect of financial development on rural-urban income inequality in India over the period of 1960-2008. Moreover, the study has suggested new sights for policy making authorities to implement suitable economic policies to reduce the rural-urban income inequality in India.

3. Parthapratim pal & Jayati Ghosh (July, 2007) – This paper analyses the nature and causes of the patterns of inequality & poverty in India.
4. Dr. Ramakrishna B.M – The study focused on knowing the disparities existing in the income distribution, drinking water supply, health facilities and access to electricity services in rural urban areas in Karnataka with special reference to Dakshina Kannada district.
5. Shiddalingaswami H & Raghavendra V.K (Dec, 2010) – The study tries to analyse the trends and pattern of per-capita income of Karnataka with a special focus on district and division level disparities. This paper also tries to study the relationship among and between per-capita income, human development, and workforce and work participation rate from 1991 to 2007-08.

III. Need for the study

Rural – urban regional inequalities has become a global issue and it existed across the world. In the context of India, a rural-urban inequality has been prevailing since long back. As per census (2011), around 68% population are residing in rural areas and rest of population are in urban areas in the country. Despite, govt. has taken several initiatives to mitigate disparity; yet, there is a wide inequality between rural and urban areas in terms of agriculture income, industrial growth and service sector. In respect of per-capita income, rural areas still lag behind in per-capita income comparatively to urban areas because of over 50% workforce in the country relied on agriculture sector. In this regard, the paper discusses about rural-urban inequalities, per-capita income variation between rural & urban areas and govt. initiatives in mitigating the gap between rural and urban areas.

IV. Objectives

1. To throw light on the rural and urban regional inequalities in India
2. To discuss the income inequality between rural and urban areas
3. To assess the policy interventions in reducing the income gap between rural and urban areas

V. Methodology

This paper is a descriptive in nature. For this paper, data has been collected from secondary sources viz., books, articles, newspapers, reports and various websites. This paper deals with the issues regarding aforementioned objectives.

❖ Rural and Urban Regional Inequalities In India

India lives in villages” were the golden words of Mahatma Gandhi many decades ago. Ironically after almost 50 years the data does not seem to disagree. Today a majority of the Indian population still live in the villages. Though there is substantial migration from rural to urban areas in India, still almost 68% of India continues to live in rural areas. Yet, there is a wide inequality between rural and urban areas in terms of agriculture income, industrial growth, service sector & sanitation. Apart from the said dimensions, there is lot more differences in education, health and standard of living between rural and urban areas in the country. Particularly about education in India, Literacy rate among persons of age 7 years and above in India was 75%. In rural areas, literacy rate was 71% compared to 86% in urban areas. Adult literacy (age 15 years and above) rate in India was around 71%. For adults also, literacy rate in rural areas was lower than that in urban areas. In rural areas, adult literacy rate was 64% as compared to 84% in urban areas. In terms of healthcare disparity between rural and urban areas is widening day by day because of adequate infrastructure is existed in urban areas rather than rural areas and the public sector is handicapped by poor infrastructure in rural areas, unwillingness of trained medical staff to serve in villages, absence of standardized diagnostic procedures and information systems, and an underdeveloped medical devices sector, etc. Hence, there is inequality in indicators of health viz., infant mortality rate, mortality rate, crude death rate & birth rate and life expectancy. In India, rural- urban is still identified uniquely through per-capita income and many studies justified that rural areas are lagging behind in per-capita income relatively to urban areas on account of agriculture is not as profitable as industrial and service sector. Consequently, the prime minister promised the farmers to double their incomes through enhancing productivity with incentives by 2022.

❖ **Income Inequality between Rural and Urban Areas**

Per-capita income inequality is fundamentally in rural and urban areas across the country and it can be justified through rural – urban sectors contribution to GDP of India. Basically, Indian economy is an agrarian economy; contribution from the sector around 14 to 15 % is gradually shrinking due to rapid growth of industrial and service sectors in urban areas. As GDP increases, this leads to increase in per-capita income by creating wide gap in income between rural and urban areas across the country. Very importantly, the gap in per-capita income is identified through net value addition to GDP of the country and it could determine the source of income of rural masses. In fact, in India, as contribution comes down to GDP from agriculture; it influences on per-capita income of rural areas. In this direction, 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. Moreover, according to (SECC) 2011, 13.39 crore out of 17.97 households have declared income of less than Rs 5000 a month. This reflects that how inequalities are in rural and urban incomes in the country.

❖ **The Policy Interventions in Reducing the Income Gap between Rural and Urban Areas**

The govt of India has launched the several schemes to accelerate the growth of agriculture sector and promised the farmers to double their incomes by 2022. Farmers in India have been backbone of the nation by ensuring food security to masses and their contribution is very large to the GDP. However, agriculture and its allied activities contribute less than 15% as Net Value Addition and income of farmers are in turn declining relatively to other sectors in the economy. Moreover, the majority of farmers in India are small and marginal and they usually face the some of the problems such as, climate change, more input cost, low MSP & remunerative price, etc. In this direction, the govt. of India has taken the several measures to mitigate an agrarian crisis with a view to enhance productivity and income in the country by 2022.

- Development initiatives including infrastructure
- Technology
- Policies and
- Institutional mechanisms

The aforementioned issues are related to the strategy to increase farm income and output. Among them, policy interventions have greater role in transforming rural areas and also bridge the gap between rural and urban areas in terms of income inequality.

Table – 1: Govt. policy interventions to double farm income

S. N	Schemes	Objectives	Current Status
1.	Pradhan Mantri Fasal Bima Yojana (2016)	It provides comprehensive insurance coverage for all food crops (cereals, millets & pulses), oilseeds crops and annual commercial/horticultural crops against all non-preventable natural risks.	This scheme so far covered farmers both under Kharif and Rabi around 390.02 (2016-17) and 167.14 (2016-17) respectively.
2.	Pradhan Mantri Krishi Sinchai Yojana(2015-16)	It aims to enhance physical access of water on farm and expand cultivable area under assured irrigation, improve on farm water use efficiency, introduce sustainable water conservation practices, etc.	Under the scheme, Ninety Nine (99) Major/Medium Irrigation Projects identified; which is having irrigation potential of 76.03 Lakh ha. To be completed by 2019.
3.	Soil Health Card Scheme (2015)	It provides guidance to farmers about carry crop-wise recommendations of nutrients and fertilisers required for farms to improve productivity through judicious use of inputs.	Around 5.12 Crore SHCs have been distributed against the targeted value of around 14crore.
4.	e- NAM (National Agriculture Market) (2016)	A national e-market platform for transparent sale transactions and price discovery in regulated markets	As on 31st July 2017, 455 Mandis across 13 states have been integrated with e-NAM

Source: compiled from different websites

VI. Conclusion

Rural-urban regional inequalities in India are still prevailing because of variations in availability of resources and also some political, social and economic issues in the country. As rural-urban disparity increased, it led both for massive migration from rural to urban areas and expansion of urbanisation. Fundamentally, rural-urban disparity is existed due to heavy concentration of the government for urban areas in terms of investment into socio-economic infrastructure and now it is being termed as Smart City in the country. In this direction, the govt. since five year plans, intended and have had many incentives and schemes to economically empower the farming community for bringing balanced regional development. However, the current govt. has set the agenda of doubling farmers' income by 2022 and also giving an impetus to non-farming activities (Start up or MSME) in order to increase the income from different sources to partly bring per-capita income equality between rural-urban areas in the country.

VII. Reference

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