

# RURAL-URBAN LINKAGES AND SOCIO-ECONOMIC DEVELOPMENT

Rekha Dhanai and Dr. R.S. Negi

*Rural-urban linkages play a crucial role in the generation of income, employment and prosperity. The importance of such linkages is not recognised for various reasons and thus ignored in national economic and other policies. The infrastructural problems and institutional constraints with other barriers tend to discourage linkages between rural and urban regions and thus prevent a process of rural empowerment and economic development. As such, stronger rural-urban linkages could also play a crucial role in socio-economic development or poverty reduction in developing countries.*

**R**ural-urban linkages are both a cause and a consequence of socio-economic development. It includes flow of agricultural and other commodities from rural based producers to urban markets. These commodities for local consumers and for forwarding to regional, national and international markets on one hand and on the opposite side flow of manufactured and imported goods from urban centres to rural settlements. It is now widely recognised that there exists an economic, social and environmental interdependence between urban and rural areas and a need for balanced and mutually supportive approach to development of the two areas. Agriculture is an important part of rural economy and change in agriculture can influence the non-farm activity, mainly in three

ways: through production, consumption and labour market linkages.

Production, a growing agricultural sector needs technical inputs of fertiliser, seeds, herbicides, equipment and repair services either produced or distributed by non-farm enterprises. Increased agricultural production also stimulates forward production linkages by providing raw materials to further value-adding activities like milling, processing and distribution by non-farm firms.

Consumption linkages arise when increasing farmer income, as a result of growing agriculture, boosts the demand for basic consumer goods. Such a demand typically increases over time as the rising per capita income induces the diversification



of consumption into non-food items. Much of the overall increase in demand for inputs, services, distribution and many basic consumer goods can be serviced by firms operating in rural and semi-urban areas.

Rising agricultural wages in the rural areas have raised the opportunity cost of labour in the non-farm activities. This has induced a shift in the composition of non-farm activities from labour intensive, low-return ones to those that require more skilled labour and higher investment and produce higher returns. Thus increasing farm productivity could be instrumental in inducing a structural transformation of the rural non-farm economy.

They also include flow of people moving between rural and urban settlements, either commuting on a regular basis, for occasional visits to urban-based services and administrative centres, or migrating temporarily or permanently. Flow of information between rural and urban areas include information on employment opportunities for potential migrants. Financial flow include, primarily, remittances from migrants to relatives and communities in sending areas and transfers such as pensions to migrants returning to their rural homes and also investments and credit from urban-based institutions.

Some factors can be generalised as having a key role in the increase of the scale of rural-urban linkages. Decreasing incomes from farming, due to lack of land, water or capital, are unable to intensify production and switch to higher value crops, mean that growing numbers of rural residents engage in non-farm activities that are often located in urban centres. For those who continue farming, direct access to markets is essential and markets are usually located in urban centres. Better access to markets can increase farming incomes and encourage shifts to higher value crops or livestock.

### **Flow of goods, access to urban markets and socio-economic development of local people**

Infrastructure plays the key role in promoting agricultural and rural development which is the

basis of rural economy of a developing country like India where, infrastructural facilities are generally weak and inadequate and many people, especially the rural poor do not have access to even minimum infrastructure services. Good infrastructural facility not only ensures smooth flow of inputs and outputs but also facilitates higher accessibility to knowledge, market, remunerative prices and savings from wastages. Exchange of goods between urban and rural areas are an essential element of rural-urban linkages. The 'virtuous circle' model of rural-urban local economic development emphasises on efficient economic linkages and physical infrastructure connecting farmers and other rural producers with both domestic and external markets. This involves three phases:

**Phase I:** Rural households earn higher incomes from production of agricultural goods for non-local markets and increase their demand for consumer goods

**Phase II:** Increasing demand leads to the creation of non-farm jobs and employment diversification.

**Phase III:** Employment diversification in turn absorbs surplus rural labour, raises demand for agricultural produce and again boosts agricultural productivity and rural incomes.

However, access to urban markets is key to increasing incomes for rural and semi-urban farmers. Three aspects are crucial for access to urban

markets:

- ❖ physical infrastructure (road networks and affordable transport)
- ❖ relations between producers, traders and consumers; and
- ❖ information on how markets operate, including price fluctuations and consumer preferences.

There is a strong relationship between rural infrastructural development and socio-economic development of people. Poor physical infrastructure can have far-reaching consequences on producers' prices, as inadequate roads usually

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entail prohibitive transport costs. However, lack of storage and processing facilities and high transport costs increase the vulnerability of producers.

### **Rural-urban Linkages and Livelihood Strategies**

Most individuals or households in low-income countries straddle the rural-urban linkages through income and occupational diversification and migration. Time devoted to, as well as the income derived from, non-farm and off-farm activities are therefore substantial parts of the lives of rural households. The most successful rural households use urban opportunities and exploit urban niches in addition to agricultural land resources. Most of the poor as well as rich households combine agricultural production with non-farm and off-farm income-generating activities to increase their income. The access of rural people into non-farm activities has only been possible where there is availability of non-farm employment opportunities that arise from urbanisation, innovations and sectoral transformations. In addition, new investments in non-farm sectors take place with an increase in farm incomes and rural savings. As farm income grows, the demand for non-farm goods and services increases in rural areas. To meet this demand, rural economic activities are diversified into production of rural non-farm goods and services. Thus, the rural non-farm economy provides economic opportunities for the rural poor. However, this requires investments in agricultural technology and innovations, rural human capital, health, communications, transportation and electrification.

### **Livelihood diversification and Migration**

For increasing their income individuals can engage in multiple activities, some of which can be seasonal (and therefore depending on changes in the labour demands of different activities) or temporary or informal or can be related to the individuals' life courses such as women, different demands on their time from childcare, caring for older people, etc. Transformations in the ways in which households and individuals make a living are perhaps the most striking aspect of rural-urban linkages and in many cases, involve multiple occupations ranging from farming to services. The

rural households rely on non-farm and off-farm activities as well as migrant members' remittances. The non-farm activities of rural households are part of a survival strategy that aims to reduce risk, overcome seasonal income fluctuations and respond to external and internal shocks and stresses – e.g., economic and financial crises.

Emerging employment opportunities in urban areas in combination with affordable transportation services, have increased mobility or migration, which has facilitated income diversification. Gender and generational relations are also important in shaping rural-urban linkages, as reflected by the higher levels of multi-activity among the younger generations.

A rise in the income levels of the rural population due to the diversification of their livelihoods would not only increase demand for manufactured goods and services among these populations, which would in turn stimulate the growth of local towns and urban areas, it would also trigger agricultural growth. Thus, the existence of the rural-urban linkages can increase the level of economic growth and development, reduce poverty and improve livelihoods, but the scale, strength and sustainability of economic growth and development, poverty reduction and livelihood improvements depend not only on local but also on global interactions and international trade linkages.

As households took over responsibility for farming, production levels increased and in high-potential regions, this contributed to a decline in rural poverty and to increased demand for non-agricultural goods; at the same time, however, land scarcity gave rise to unprecedented migration to small and large urban centres. Mobility and migration are closely interrelated with livelihood diversification. Access to affordable transport expands the opportunities to find employment or to engage in income-generating activities through commuting. Internal migration is often seen as essentially rural-to-urban and contributing to uncontrolled growth and related urban management problems in cities. In fact, most of the growth in urban population is due to natural population increase. This has resulted in many policies to control or discourage migration. Since

rural to urban migration is fastest where economic growth is highest as migrants tend to move to places where they are likely to find employment opportunities.

### **Conclusions**

Whilst, to some extent, flows and linkages exist between all rural and urban areas, their scale and strength are determined by the nature of economic, social and cultural transformations. The liberalisation of trade and production has changed or reshaped rural–urban linkages in most regions at the global level. The increased availability of imported manufactured and processed goods affects consumption patterns in both rural and urban settlements. These goods are often cheaper than locally produced which can affect local manufacturers and processors negatively. This is especially for small-scale enterprises using traditional or limited technology.

Increased access to information on distant places has an important role in younger generations desire to migrate and to move out of farming in favour of more “modern” types of employment. Changing employment

opportunities can have a profound impact on traditional social structure.

At the local level, the nature and scope of rural–urban interactions is influenced by several factors, ranging from geographical and demographic characteristics including the nature of agricultural land, population density and distribution patterns of farming systems to the availability of roads and transport networks, linking local settlements to a number of urban centres where markets and other services are located. Local government and other local actors are best placed to identify local needs and priorities and provide an adequate response to them. Local decision-making can help avoid the neglect of forward and backward linkages between agriculture and services and manufacturing. It can also negotiate and regulate the use of natural resources by rural and urban residents and enterprises, which can otherwise become a major cause for conflict.

*[Rekha Dhanai is a Research Scholar and Dr. R.S. Negi is Associate Professor at Department of Rural Technology, H.N.B. Garhwal (A Central) University, Srinagar, Garhwal. E-mail id: rekha.dhanai@rediffmail.com]*