

# CHANGING LANDSCAPE OF RURAL ECONOMY

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...the Budget continues to focus on the rural economy with the broader aim to improve the ease of living. While there appears to be an increase in the efficiency of implementing most of the rural development schemes, there is still a need for further improvement in fund flow mechanism as well as monitoring and evaluation systems in order to improve the conditions of rural people and rural geographies.

**D**evelopment of the rural economy is crucial for promoting ease of rural lives. In this direction, the Government of India has been undertaking many initiatives to provide livelihood provisions, developing basic amenities, infrastructure, and more importantly, eliminating poverty. The announcements made in the Union Budget 2019-20 were people-centric with different policy options devised both at Centre and State levels through the use of technology and innovation to ensure last mile delivery. In this article, we look at the policies that are focussed to improve 'ease of living' especially in the rural areas.

## DBT for Easing the Lives of Poor

There had been debate over the efficiency in the public service delivery system towards reaching the last eligible person amid intermediate layers in implementation. In order to eliminate the complexities and disadvantages of such a multilayer approach, the Government of India rolled out the DBT framework for disbursement of assistance to eligible beneficiaries under different welfare schemes from January 2013. This new mechanism has enabled the Government to transfer the assistance directly to beneficiaries' bank accounts within the stipulated time, eliminating the different intermediate layers. It started with 28 selected schemes in 2013, and as on July 2019, it has broadened with 439 schemes under 55 Ministries (Table 1). Under this framework, the number of persons served as well as the volume of funds transferred has increased manifold. In the current fiscal 2019-20 till July 14, the government has transferred Rs. 48.06 thousand crore to 58.6 crore eligible beneficiaries.

At present, 8 schemes under the Ministry of Rural Development (MoRD) have been included under DBT platform, namely, National Rural Livelihood Mission (NRLM), Deen Dayal Upadhyay Grameen Kaushalya Yojana (DDUGKY), Indira Gandhi National Disability Pension Scheme (IGNDPS), Indira Gandhi National

Old Age Pension Scheme (IGNOAPS), Indira Gandhi National Widow Pension Scheme (IGNWPS), National Family Benefit Scheme (NFBS), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Pradhan Mantri Awas Yojana-Grameen (PMAY-G). As per data available on the DBT platform, about Rs. 1.01 Lakh crore is disbursed in 2018-19 to the eligible beneficiaries under these schemes of MoRD together as compared to Rs. 34.23 thousand crore in 2013-14 (Table 2). In the coming few years, MoRD is expected to bring its all welfare schemes under DBT framework so that the benefits genuinely reach the eligible and targeted individuals.

As on March 2019, the DBT Cell has estimated the overall net gain due to the DBT framework to be 1.42 lakh crore for the Government of India since its inception. The estimated saving from the Ministry of Rural Development programme stands at Rs. 20.79 thousand crore for MGNREGS and Rs. 516 crore for NSAP programme as on March 2019. The NIPFP estimated saving of Rs 2419 crore for PMAY-G in the first two years of implementation due to changes in the governance in terms of use of



-  Launch of India's first indigenously developed **payment ecosystem** for transport
-  Expansion of **Metro Rail Projects**
-  Enabling ecosystem for growth of **Maintenance, Repair and Overhaul (MRO) industry** for self-reliance in aviation
-  **Second phase of Bharatmala** to help States develop state road networks
-  Commencement of **Phase-II of FAME** Scheme to encourage faster adoption of **Electric vehicles**
-  **Public-Private Partnership** for development of **railway infrastructure**
-  **Jal Marg Vikas** - multi modal terminals at Sahibganj and Haldia and navigational lock at Farakka to be completed in 2019-20

DBT and Geo-tagging technology through AwasApp (NIPFP, 2018).

In order to implement the DBT at a large scale, the Government of India launched a model popularly known as JAM Trinity (Jan Dhan Bank Accounts, Aadhaar Identification and Mobile communication). The bank accounts are linked with Aadhaar and updates on any transaction are sent to the registered mobile number. This appears crucial in order to track that the actual beneficiaries receive the assistance, and there will not be any duplications or ghost beneficiaries.

The Pradhan Mantri Jan Dhan Yojana was launched in 2014 to bring the unprivileged section of the society under financial inclusion by providing banking and financial services including savings account, pensions, remittances, insurance, and others. As on 03 July 2019, about 36.06 crore Jan Dhan bank accounts have been opened of which 59.26% are in rural/semi-urban areas, and the total deposits stands at Rs. 1 lakh crore. Along



with the savings bank account, RuPay card has also been issued to the Jan Dhan Account holders with accidental insurance coverage of Rs. 1 lakh to promote the digital transaction. About 28.45 crore

**Table 1: Progress under DBT Framework**

Head	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20*
No of DBT Schemes	28	34	59	142	437	440	439
Total Funds Transferred(in Rs. crore)	7368	38926	61943	74689	190871	329796	48056
Cash schemes	7368	38926	61943	74689	170292	214092	28870
In-kind schemes	NA	NA	NA	NA	20579	115704	19186
Eligible Beneficiaries (in crore)	10.8	22.8	31.2	35.7	124.0	129.2	58.6

Note: \*Figures for 2019-20 are updated up to July 14, 2019, and are provisional.

(Source: DBT Bharat, 2019)

**Table 2: Disbursement of Assurances under MoRD Schemes on DBT Platform**

Schemes	2015-16	2016-17	2017-18	2018-19	2019-20*
NRLM	NA	NA	22.12	1119.27	97.26
DDUGKY	NA	NA	163.52	24.70	6.46
IGNDPS		187.99	706.30	253.44	19.25
IGNOAPS	8364.66	3785.78	6917.13	6379.14	373.66
IGNWPS		1436.22	2061.23	1697.10	135.01
NFBS	NA	NA	NA	21.44	3.01
MGNREGS	25861.77	37311.92	33751.32	46181.80	135.01
PMAY-G	NA	4655.63	65237.50	45396.00	2168.79
Total	34226.43	47377.54	108859.12	101072.88	2938.44

Note: \*Figures for 2019-20 are updated up to July 14, 2019, and are provisional.

(Source: DBT Bharat, 2019)

RuPay card has been issued to the beneficiaries as on 3rd July 2019.<sup>1</sup>

Amid the less penetration of bank branches especially in the rural areas, India Post Payment Bank (IPPB) has appeared as an instrument to improve financial inclusion of unbanked/underbanked section of the society.<sup>2</sup> IPPB was introduced to the core banking system in August 2016, enabling the post office savings bank accounts for NEFT and RTGS. The rural banking division of India Post has been implementing several social sector schemes for disbursing payments to the beneficiaries (Annual Report, 2017).

In terms of Aadhaar enrolment, 124 crore Aadhaar have been generated reaching a saturation level of 90% of the population as on 15<sup>th</sup> July 2019, and altogether, it has been submitted as Know-Your-Customer (KYC) as many as at 733.46 crore places for authentication.<sup>3</sup> In addition, the Government has committed to provide infrastructure support for extending the mobile network into the remote rural areas to promote digital usage. The recent Kantar IMRB Report (2019) reveals that the growth of internet usage in rural areas was 35% in 2018 reaching to about 25 crore population covering a penetration of 25% in the rural population, and the same is expected to reach to 29 crore by the end of 2019.

Over the last few years, JAM has appeared as a social revolution bringing together financial inclusion, biometric authentication, and mobile communications, especially in rural areas.

## Rural Connectivity

Rural Connectivity (road) is a crucial element for the development of rural areas providing access to social and economic services. Better connectivity has both forward and backward linkages for generating income and employment opportunities and thereby, has a greater impact on reducing poverty. Here, the Pradhan Mantri Gram Sadak Yojana (PMGSY) has made a significant change in the rural connectivity. The scheme has two components: construction of new roads for the unconnected habitants and upgradation of existing roads where emphasis is given mainly in the areas with a higher volume of traffic.

About a total of 6.02 lakh km road length has been constructed under the scheme since its inception till July 12, 2019 indicating a completion rate of 86.75% of the total length of road targeted (Table 3). During this time-span, the scheme has been able to connect 1.54 lakh eligible habitats (93.85%) with financial implications of Rs. 2.09 lakh crore (74.11 of the total budgeted cost). The scheme was undertaken phase wise viz., PMGSY-I (2000-11) and Phase II (2012-18). In the recent Budget, the programme has been scaled up and in Phase III (2019-23).

There has been a significant improvement in the implementation of PMGSY scheme in recent years. Per day road construction had increased from 104 km in 2014-15 to 134 km in 2018-19. The launch of *Meri Sadak* App appears as a useful tool in monitoring the construction and

**Table 3: Progress under PMGSY**

Year	Target Length (km)	Completed Length (km)	%	Targeted Habitants (no)	Connected Habitants (no)	%	Budgeted (Crore)	Actual (crore)	%	Per day Km Built
2014-15	21755	38057	174.93	4688	11121	237.22	14391	14188	98.59	104
2015-16	33649	35155	104.48	10177	9953	97.80	14291	18290	127.98	96
2016-17	48812	47446	97.20	15000	11979	79.86	19000	17923	94.33	130
2017-18	51000	48713	95.52	15000	11555	77.03	19000	16862	88.75	133
2018-19	57700	49038	84.99	15000	10483	69.89	19000	15500	81.58	134
2019-20 <sup>#</sup>	52502	3223	6.14	9454	342	3.62	19000	NA	NA	32
2000-19*	693997	602009	86.75	164446	154340	93.85	281570	208677	74.11	NA

Note: Budgeted and actual expenditure for 2000-2019 is based on the Progress report as on 12 July 2019. <sup>#</sup>Parameters value are as on 12 July 2019.

(Source: PMGSY Portal, 2019<sup>5</sup>)

maintenance activities as well as mitigating the grievance redressal of the community. Another prominent governance change in the scheme is the adoption of e-procurement for awarding contracts of PMGSY roads, although some states are yet to operationalise the online portal.<sup>4</sup> Considering the state of PMGSY under e-procurement, Lewies et al. (2016) found that it has not only led to a timely competition of the construction activities, but also significantly improved the quality of the road. It also increases the transparency in the system and reduces corruption by eliminating personal interaction between the concerned officials and bidders. The increased competition and entry of non-local quality contractor is the main force behind the improvement in the quality. In terms of impacts of enhanced connectivity on the rural economy, there has been increased participation in the labour market among the rural people translating a higher household's income (Asher & Novosad, 2016; Aggarwal, 2017). Another study by Gulati et al. (2018) estimated that the return to one rupee spent in PMGSY to be Rs. 1.1 to the Agricultural GDP, which is higher as compared to rupee spent in primary agri-subsidies.

Considering these positive externalities, the Government has approved Phase III of the scheme to upgrade 1.25 lakh km rural road using green technology. The Budget 2019-20 has committed to spend Rs 80.25 thousand crore in Phase III over 2019-20 to 2024-25.

### Affordable Housing to Rural Poor: PMAY-G

In 2016, the Indira Awas Yojana was restructured into Pradhan Mantri Awas Yojana-Gramin (PMAY-G) to enhance the efficacy of the rural housing programme. The objective of PMAY-G is not only to provide a pucca house but the overall

upgradation of the lifestyle of the rural poor by providing livelihood along with basic amenities in the house itself. To accomplish the holistic target 'Housing for all by 2022', MoRD targeted to construct 10 crore PMAY-G house by 2019 in its Phase I (2016-19) whereas it kept a target of 1.95 crore for the Phase II (2019-22). Several changes were made in governance and implementation of the scheme including enhancement of financial assistance, mandatory use of DBT and Geo-tagging, and a real-time monitoring portal "AwaasSoft".

Table 4 presents the physical progress under the PMAY-G, and it can be seen that about 82.13 lakh houses have been completed till July 14, 2019. About 35.64 lakh houses from 2016-17 (83.30%), 24.86 lakh houses from 2017-18 (77.58%), and 21.63 lakh houses from 2018-19 (85.95) have been completed. Out of total target, about 95.21 beneficiaries have received at least one Installment of which 82.13 lakh have already completed their construction activities. Remaining 13.08 lakh houses are at different stages of production. Because of the use of DBT, PFMS, and Awaas App for geo-tagging and monitoring, the implementation of the scheme has improved significantly. NIPFP (2018) estimated that the average time required for constructing a PMAY-G house has substantially reduced from 313 days in 2015-16 to 114 days in 2017-18. With such improvement in average speed of construction, it is believed that the Government would be able to achieve its target of "Housing for All by 2024". The Scheme is also converged with various other Central schemes as well as state-sponsored schemes such as MGNREGS for employment generation, Swachh Bharat Mission for construction of toilets as well as solid and liquid waste management, PMUY for providing LPG connections as a means to efficient cooking fuel, Saubhagya for electricity connection,

**Table 4: Physical Progress under PMAY-G**

Target	Target	1st Instalment	Completed	Progress (%)
<b>Phase I</b>				
2016-17	42.78	40.78	35.64	83.30
2017-18	32.05	29.62	24.86	77.58
2018-19	25.16	24.81	21.63	85.95
Phase I Total	99.99	95.21	82.13	82.14
<b>Phase II</b>				
2019-20	50.54	2.79	0.00	0.00
<b>Total (2016-19)</b>	<b>150.54</b>	<b>98.01</b>	<b>82.13</b>	<b>54.56</b>

(Source: Awaas Soft, 2019. Accessed on 14 July 2019.<sup>6</sup>)

NRDWP for access to safe drinking water, etc., to provide an affordable house with basic amenities.

Back on the success in its Phase I, the Government has approved the Phase II of PMAY-G to provide another 1.95 crore houses to the rural poor who were kept out from Phase I. The provision of *pucca* houses is bringing transformational (both social and economic) changes among the rural households in terms of improved safety and status, improved health and educational outcome as well as increased employment opportunities. The lives of rural women, in particular, have seen a drastic change from schemes such as like Saubhagya, SBM, etc.

### Rural Development in Budget 2019-20

The Budget 2019-20 has given a big boost towards the development of the rural economy. Keeping “Antyodaya” as its core principle, the Budget concentrated on “*Gaon, Garib aur Kisan*”. There has been an increasing trend in the allocation under the Department of Rural Development in recent years. The gross spending by the Department on its various activities was 1.20 lakh in 2015-16, which was increased in subsequent years to 1.79 crore in 2017-18. The Budget 2019-20 allocates 1.92 lakh crore compared to previous year’s revised estimate of 1.85 lakh crore.

The highest allocation in the Department has gone for implementing MGNREGS, and Budget

2019-20 allocates Rs 60000 crore. Although this is lower than in 2018-19, given that it is a demand driven scheme, depending on the demand the allocations could in when the Supplementary Budget is presented. There has been a significant improvement in terms of utilization of money under the scheme, but the generation of man-days per annum per enrolled family remains a cause of concern. The increased utilization in the scheme can be attributed to the introduction of DBT and the use of GIS techniques in monitoring and implementation (Economic Survey, 2018). Despite the spending of about Rs 61084 crore in 2018, it could generate only 29 man-days per family. Under NSAP, the total allocation has been increased by 3.4% for 2019-20. While allocation under old age pension is increased by 4.8%, there is a contraction in the allocation under widow pension and disability pension schemes. With a completion rate of 82% in Phase I of PMAY-G, the Government has allocated Rs. 19000 crore for Phase II with a target of completion of 50 lakhs houses in 2019-20. Given the surge in the construction pace and size of the target, the allocation may see a revision in the coming months.

As mentioned earlier, the Government has committed to spend about Rs 80250 to provide better and rural roads using green technologies between 2019-20 and 2024-25. As a first step, Budget 2019-20 allocates Rs 19000 crore to PMGSY. The increased investment is expected to reduce

**Table 5: Budgetary Allocation under Major Schemes of the Rural Development Department**

Scheme	Budget Allocation					% Change over Previous Year			
	2015-16	2016-17	2017-18	2018-19 (RE)	2019-20 (BE)	2016-17	2017-18	2018-19 (RE)	2019-20 (BE)
Department of Rural Development*	119791	156288	178597	184617	191870	30.5	14.3	3.4	3.9
National Social Assistance Program	8616	8854	8694	8900	9200	2.8	-1.8	2.4	3.4
Indira Gandhi National Old Age Pension Scheme (IGNOAPS)	5563	5926	6110	5972	6259	6.5	3.1	-2.3	4.8
National Family Benefit Scheme	639	623	530	675	673	-2.6	-14.8	27.3	-0.4
Indira Gandhi National Widow Pension Scheme(IGNWPS)	2069	2037	1817	1967	1939	-1.6	-10.8	8.3	-1.5
Indira Gandhi National Disability Pension Scheme(IGNDPS)	288	240	221	259	247	-16.8	-7.6	17.1	-4.6
MGNREGS	37341	48215	55166	61084	60000	29.1	14.4	10.7	-1.8
Pradhan Mantri Gram Sadak Yojana	18290	17923	16862	15500	19000	-2.0	-5.9	-8.1	22.6
National Livelihood Mission - Ajeevika	2514	3158	4327	5784	9024	25.6	37.0	33.7	56.0
Pradhan Mantri Awas Yojana (PMAY)	10116	16071	22572	19900	19000	58.9	40.5	-11.8	-4.5

Note: \* Denotes the Gross allocation.

(Source: Budget Documents, Government of India)

the rural-urban divide and provides ease of living to the rural people. The Budget Speech specifically mentions about approaches towards uplifting the women through more SHGs participation and increased economic activities under NRLM scheme that is renamed as Deen Dayal Antyodaya Yojana (DAY- NRLM). It kept provision for Rs. 5000 overdraft for one woman per SHG having a Jan Dhan Account, and a loan up to Rs. 1 Lakh. This will undoubtedly increase the women participation in economic activities, and thereby uplifting their lives towards overall empowerment.

In addition the schemes under the Department of the Rural Development, the Government attempts to give a push to rural economy through the PM Kisan Scheme that provides Rs 6000 per annum in three equal instalments directly to the marginal farmers (up to 2 hectares of land) effective from December 01, 2018. The Budget 2019-20 has allocated Rs. 75000 crore under this scheme to be administered by the Department of Agriculture Cooperation & Farmers Welfare. The income support will have a stimulating effect through increased private consumption in the rural areas, which will have multiplier effects on the economy as a whole. Till July 14, 2019, the first instalment is released to 3.98 crore farmers accounting for Rs. 7954 crore, and second instalment to 3.15 crore farmers accounting for Rs. 6309. However, enrolment under the scheme has been a bit slow, and only 4.96 crore farmers (39.68%) have been enrolled against an estimated target of 12.50 crore farmers. Overall Budget 2019-20 allocates 1.39 lakh crore for the agriculture sector (78% more than the revised estimates of 2018-19) will have both forward and backward linkages to revive the local economy.

In sum, the Budget continues to focus on the rural economy with the broader aim to improve the ease of living. While there appears to be an increase in the efficiency of implementing most of the rural development schemes, there is still a need for further improvement in fund flow mechanism as well as monitoring and evaluation systems in order to improve the conditions of rural people and rural geographies.

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## Endnotes

1. <https://pmjdy.gov.in/statewise-statistics>
2. This was one of the recommendations of our study done on MGNREGS. See Bhanumurthy et al (2014)
3. [https://uidai.gov.in/aadhaar\\_dashboard/](https://uidai.gov.in/aadhaar_dashboard/)
4. <http://omms.nic.in/>
5. Andhra Pradesh and Karnataka were the first two states that adopted e-procurement in PMGSY.
6. <https://rhreporting.nic.in/netiay/newreport.aspx>
7. <https://www.indiabudget.gov.in/index.php>

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