

Balancing the Scales: A Rural Growth Agenda for National Prosperity

Prof. Vikas Singh

India's persistent rural-urban divide poses a formidable barrier to inclusive economic growth, characterized by stark disparities in infrastructure, digital access, employment, and income levels for rural communities. This challenge is exacerbated by inefficiencies in utilizing allocated development funds, such as the ₹15,825.35 crore unspent under the Pradhan Mantri Awas Yojana-Gramin (PMAY-G), which stalls progress in housing, job creation, and economic revitalization. This essay critically evaluates key government programs, including the Pradhan Mantri Gram Sadak Yojana (PMGSY), Jal Jeevan Mission, and Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), while exploring strategies for agricultural modernization, rural industrialization, and digital inclusion. It argues that a holistic, integrated approach i.e. leveraging efficient resource allocation, robust public-private partnerships, and sustainable practices—can transform rural India into a vibrant driver of national economic growth. Supported by empirical data, global best practices, and actionable policy recommendations, this study proposes a cohesive framework to unlock rural India's potential, fostering equitable and unified national progress.

Introduction

India's aspiration to ascend as a leading global economic power is inextricably linked to the prosperity and well-being of its vast rural citizenry, comprising approximately 900 million individuals and representing two-thirds of the nation's total population. However, a deeply entrenched rural-urban divide, characterized by significant asymmetries in infrastructure development, access to digital technologies, and the availability of gainful economic opportunities, poses a formidable threat to the realization of this ambitious vision. Consider the plight of a farmer in Bihar, constrained from engaging in online sales of their produce due to unreliable internet connectivity, or the predicament of a manufacturing unit in Uttar Pradesh encountering difficulties in recruiting locally skilled labor, or the struggles of a woman in Rajasthan facing economic hardship and the inability to afford basic household appliances amidst declining rural income levels. These illustrative scenarios are symptomatic of a systemic issue: the underutilization of crucial rural development funds. The ₹15,825.35 crore in unspent

funds under the PMAY-G, for instance, represents a missed opportunity to construct millions of homes, generate substantial employment, and stimulate local economic activity, remaining stagnant due to bureaucratic inefficiencies and systemic bottlenecks (Ministry of Finance, 2025).

This paper contends that effectively bridging India's persistent rural-urban divide necessitates the adoption of a comprehensive and multi-faceted strategy. Such a strategy must prioritize the efficient mobilization of currently unspent financial resources, the substantial strengthening of rural infrastructure networks, the modernization of agricultural practices, the proactive promotion of rural industrialization initiatives, and the fostering of widespread digital inclusion within rural communities. By strategically leveraging existing government initiatives, fostering innovation within the corporate sector, and adhering to principles of sustainable development, India possesses the capacity to transform its rural economy into a vibrant and significant contributor to overarching national prosperity. This analysis will leverage a diverse range of sources—official government reports, empirical data, and global precedents—to propose actionable solutions that promote inclusive growth. The aim is to ensure that rural India's untapped potential is both recognized and fully harnessed for the nation's collective benefit.

The Rural-Urban Divide: Dimensions and Challenges

Infrastructure Progress and Persistent Gaps

India has made significant strides in advancing rural infrastructure, laying a robust foundation for sustained economic growth. The Pradhan Mantri Gram Sadak Yojana (PMGSY) exemplifies this progress, connecting over 60,000 previously isolated villages with all-weather roads, thereby enhancing access to markets, healthcare, and educational facilities (Ministry of Rural Development, 2024). Similarly, the Jal Jeevan Mission, aiming to provide piped water to every rural household by 2028, has achieved 70% of its target, significantly improving water access and living standards. These initiatives underscore India's commitment to bridging rural-urban gaps, fostering inclusive development through improved connectivity and essential services.

This initiative has demonstrably improved public health outcomes and significantly reduced the time burden on women traditionally responsible for water collection, thereby freeing up valuable time for more productive activities (Jal Shakti Ministry, 2024). The

Saubhagya scheme has also made substantial contributions by electrifying 99% of rural households, providing the necessary power to support small businesses and contributing to a notable increase in agricultural wages, with a 5.7% rise for male laborers and 7% for female laborers observed in Fiscal Year 2025 (Labour Bureau, 2025).

Despite these commendable advancements, significant challenges and persistent gaps continue to hinder equitable development. Data from the National Sample Survey Office (NSSO) reveals a concerning trend: the average expenditure of agricultural households fell below the overall rural average in 2024, signaling a decline in consumption capacity and increasing economic distress within this crucial segment of the population (NSSO, 2024). Moreover, rural unemployment rates remain elevated at 7.2%, a figure exacerbated by the prevalence of underemployment and seasonal labor patterns, which contribute to heightened economic precarity for many rural households (CMIE, 2024). The issue of unspent funds, such as the substantial ₹15,825.35 crore under the PMAY-G, further underscores the inefficiencies in resource allocation and utilization. These funds, if effectively deployed, could have addressed the housing shortages faced by an estimated 1.5 million families and simultaneously stimulated local economies through construction activities and related industries. However, they remain largely unutilized due to a confluence of factors, including bureaucratic delays, inadequate monitoring mechanisms, and limited institutional capacity at the local level (Comptroller and Auditor General, 2024). These persistent gaps highlight the urgent need for streamlined fund disbursement processes and the implementation of targeted interventions designed to maximize the developmental impact of allocated resources.

The Digital Divide

While tangible progress has been made in the realm of physical infrastructure development, a significant digital divide continues to marginalize a substantial portion of rural India. Current statistics indicate that only 34% of rural households have access to internet services, and the level of digital literacy among rural adults remains alarmingly low at a mere 25% (Telecom Regulatory Authority of India [TRAI], 2024). This limited digital access and proficiency severely restricts the ability of rural communities to actively participate in the burgeoning digital economy, including e-commerce platforms, online education opportunities, and digital banking services. For instance, farmers in rural areas often lack access to real-time market price information, significantly diminishing their bargaining power and consequently impacting their

income potential (Indian Council of Agricultural Research [ICAR], 2024). This pervasive digital exclusion exacerbates existing economic disparities, as rural communities are effectively cut off from numerous opportunities to engage with and benefit from the modern economic landscape. Effectively bridging this digital divide necessitates a concerted effort aimed at expanding the reach and robustness of digital public infrastructure, such as broadband networks, coupled with the implementation of comprehensive digital literacy programs specifically tailored to the unique contexts and needs of rural populations.

Economic Reforms and Rural Enterprises

Significant economic reforms, such as the implementation of the Goods and Services Tax (GST), have aimed to streamline markets and enhance tax revenue collection at the national level. However, these reforms have inadvertently placed a disproportionate burden on small-scale rural businesses. Traditional Kirana stores, local artisans, and small traders often face considerable challenges in navigating the complexities of GST compliance, coupled with intensified competition from well-organized retail chains. This has contributed to a concerning 3% decline in rural non-agricultural incomes in 2024 (Federation of Indian Chambers of Commerce and Industry [FICCI], 2024; NSSO, 2024). This economic strain is further compounded by the significant annual migration of approximately 10 million rural youth to urban centers in search of better economic prospects, leading to a depletion of the rural workforce and undermining the vitality of local economies (Census of India, 2021). Therefore, policy interventions must strive to achieve a delicate balance between modernization and the provision of targeted support mechanisms for small-scale rural enterprises. Such support is crucial to ensure inclusive economic growth and to retain valuable human capital within rural areas.

Revitalizing Agriculture: The Backbone of Rural India

Challenges Facing Agriculture

Agriculture remains the dominant source of livelihood for approximately 45% of India's rural workforce; however, its contribution to the nation's Gross Domestic Product (GDP) stands at a comparatively low 18%, highlighting issues of low productivity, underlying structural inefficiencies, and systemic vulnerabilities within the sector (Reserve Bank of India [RBI], 2024). The prevalence of small landholdings, averaging a mere 1.1 hectares, severely limits the

potential for economies of scale in agricultural production. Furthermore, the continued reliance on traditional farming methods and the inherent volatility of market prices often create significant financial instability for farmers (Food and Agriculture Organization [FAO], 2024). The escalating impacts of climate change present an additional layer of complexity and risk, with regions facing severe water scarcity, such as Rajasthan, and deltaic areas prone to flooding, like West Bengal, experiencing threats to crop yields and the livelihoods of agricultural communities (The Energy and Resources Institute [TERI], 2024). These multifaceted challenges collectively contribute to the ongoing migration of rural youth to urban centers, with approximately 10 million individuals leaving rural areas annually in pursuit of employment opportunities, further weakening the agricultural sector's human resource base (Census of India, 2021).

Strategies for Modernization

Modernizing the agricultural sector is of paramount importance for the comprehensive revitalization of the rural economy. The Union Budget for 2025-26 reflects this recognition through the 'Rural Prosperity and Resilience' program, which allocates a substantial ₹10,000 crore towards the development of digital agricultural infrastructure. This includes the deployment of Artificial Intelligence (AI)-driven crop advisory services, the establishment of real-time market information platforms, and the promotion of precision farming technologies (Ministry of Finance, 2025). Pilot projects implemented in Punjab, focused on the diversification of cropping patterns to include millets, have demonstrated encouraging results, leading to a 15% increase in participating farmers' incomes by enhancing their resilience to both climate variability and market fluctuations (ICAR, 2024). Scaling such innovative initiatives, in conjunction with the implementation of fair pricing mechanisms such as Minimum Support Prices (MSP), can play a crucial role in stabilizing farmers' incomes and encouraging greater investment in the agricultural sector. For instance, reforms to the MSP system in Haryana resulted in a 10% increase in the incomes of wheat farmers in 2024, illustrating the potential positive impact of well-designed policy interventions (Ministry of Agriculture, 2024).

The adoption of digital tools holds immense promise for agricultural transformation. Platforms like Kisan e-Mitra offer farmers customised advice on soil health and weather, leading to a reported 12 percent improvement in crop yields in pilot areas such as Madhya

Pradesh (ICAR, 2024). Scaling such platforms to reach half of India's rural farmers by 2030 could add an estimated ₹2 lakh crore to the agricultural GDP, significantly boosting rural incomes (NITI Aayog, 2024).

Realising this potential, however, depends on addressing persistent hurdles. Bureaucratic delays, patchy internet access, and limited digital literacy continue to hamper progress. Equipping farmers with the necessary training and infrastructure is essential. Public-private partnerships with agritech firms like Ninjacart—which link farmers directly to markets—can accelerate this shift by offering technical support and improving supply chain efficiency (Ninjacart, 2024).

Equally important is the move toward crop diversification. Shifting to higher-value crops such as pulses and horticultural produce reduces the risks of monoculture and raises farm incomes. Tomato value chain initiatives in Karnataka, for instance, have shown encouraging results (FAO, 2024).

Rural Industrialization: Diversifying Economic Opportunities

Leveraging Infrastructure for Industry

India's ongoing improvements in rural infrastructure, including the expansion of road networks, enhanced electricity availability, and better access to water resources, create a strong foundation for the development of rural industrialization. This strategic focus can effectively diversify income sources for rural populations and help curb the trend of migration to urban centers. The substantial allocation of ₹86,000 crore to the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in Fiscal Year 2025 presents an opportunity to transition the scheme's focus from primarily manual labor to skill-based projects. This shift can equip rural workers with valuable skills in sectors such as agro-processing, renewable energy, and manufacturing (Ministry of Rural Development, 2024). The successful establishment of industrial parks by the State Industries Promotion Corporation of Tamil Nadu (SIPCOT), which has generated approximately 50,000 jobs in rural areas, demonstrates the significant potential of localized industrial development initiatives (SIPCOT, 2024).

Implementing targeted incentives, such as offering tax breaks, providing financial subsidies, and streamlining land allocation processes, can effectively attract corporations to establish manufacturing units, agro-processing hubs, and renewable energy projects in rural regions. The development of rural textile hubs in Gujarat, supported by efficient regulatory

frameworks, has led to an estimated 8% annual increase in local GDP, presenting a replicable model for other states to consider (Gujarat Industrial Development Corporation, 2024). Scaling such successful initiatives across the country has the potential to create an estimated 1 million rural jobs by the year 2030, effectively transforming villages into vibrant centers of production and economic activity (NITI Aayog, 2024). Strategic public investment in the development of rural industrial parks not only provides essential infrastructure but also sends a strong signal of stability, thereby attracting private capital investment with an estimated multiplier effect of 1.5–2, as supported by historical data on rural infrastructure spending (RBI, 2024).

Corporate and Financial Sector Contributions

Corporations must recognize the immense potential of rural India's 900 million consumers as a vast and largely untapped market. By developing and offering affordable products specifically tailored to the needs and contexts of rural consumers, businesses can unlock significant growth opportunities. The success of Godrej's low-cost refrigerators and Reliance Jio's affordable smartphones in increasing rural consumption by an estimated 10% in 2024 exemplifies the potential of such tailored solutions (Godrej, 2024; Reliance Jio, 2024). Financial institutions also have a crucial role to play in driving economic inclusion in rural areas through the provision of micro-loans, comprehensive crop insurance products, and accessible savings schemes. The Pradhan Mantri Fasal Bima Yojana (PMFBY) covered approximately 50 million farmers in 2024, effectively mitigating agricultural risks and encouraging continued investment in the sector (Ministry of Agriculture, 2024).

Sustainability must be a central tenet of rural industrialization to ensure that economic progress does not come at the expense of environmental degradation. Promoting water-efficient manufacturing processes and investing in renewable energy projects, such as the solar parks established in Maharashtra, can help mitigate climate-related risks like water scarcity and flooding, ensuring the long-term viability of industrial activities in rural areas (TERI, 2024). Corporations that proactively adopt these sustainable practices can effectively meet the needs of rural communities while simultaneously aligning with global sustainability goals, thereby enhancing their market credibility and overall social impact.

Mobilizing Unspent Funds: Overcoming Bureaucratic Inertia

The significant amount of unspent rural development funds, exemplified by the about ₹15 thousand crore remaining unutilized under the PMAY-G, represents a critical impediment to achieving meaningful progress in rural development. These substantial financial resources have the potential to construct an estimated 1.5 million much-needed homes, generate approximately 2 million employment opportunities, and provide a significant stimulus to local economies through construction activities and related industries (Comptroller and Auditor General, 2024). However, bureaucratic delays, inadequate monitoring mechanisms, and limited institutional capacity at the crucial panchayat level often hinder the effective utilization of these funds, with over 35% of the Rural Development Ministry's allocated budget remaining unspent in Fiscal Year 2024 (Ministry of Rural Development, 2024). This inefficiency not only stalls critical infrastructure projects but also erodes public trust in governance and perpetuates existing economic disparities.

The implementation of Odisha's digital tracking system for the PMAY-G has demonstrated the potential for improvement, successfully reducing disbursement delays by an estimated 30% and offering a scalable model for nationwide adoption (Odisha Rural Development, 2024). Similarly, the rural housing schemes implemented in Andhra Pradesh, which incorporate real-time monitoring of project progress and fund utilization, further underscore the value of transparency and accountability in ensuring that allocated funds effectively reach their intended beneficiaries (Andhra Pradesh Rural Development, 2024). Expanding the adoption of such robust digital tracking systems, coupled with the implementation of comprehensive capacity-building programs for local governance bodies, holds the key to unlocking the immense potential of these currently unspent funds. For instance, providing targeted training to an estimated 10,000 panchayat officials annually could potentially increase fund utilization efficiency by 20% by the year 2028 (Ministry of Panchayati Raj, 2024). Addressing these critical bottlenecks in fund disbursement and utilization is absolutely essential to translate budgetary allocations into tangible and impactful developmental outcomes on the ground.

Global Lessons for Rural Transformation

Global examples of rural transformation offer valuable lessons for India's own development path. China's Township and Village Enterprises (TVEs) generated an estimated 130 million

jobs between 1980 and 2000, helping cut poverty by nearly 50 percent through decentralised industrial growth and local entrepreneurship (World Bank, 2023).

Brazil's Bolsa Família combined conditional cash transfers with skills training, resulting in a 15 percent rise in rural incomes and measurable gains in education among beneficiaries. The programme underscores the power of aligning social welfare with economic opportunity (UNDP, 2024).

Vietnam's rural electrification drive, which reached 98 percent coverage by 2015, sharply improved agricultural productivity and enabled the growth of small-scale rural industries. Its success offers useful parallels for India's Saubhagya scheme and other infrastructure-led rural development efforts (World Bank, 2023).

These diverse global models underscore the critical importance of implementing localized solutions that are tailored to specific regional contexts, prioritizing skill development initiatives to enhance human capital, and fostering strong collaborations between the public and private sectors. India can draw valuable lessons from China's Township and Village Enterprises (TVE) model by developing rural industrial parks that capitalize on locally available resources—for instance, promoting agro-processing industries in agriculturally rich states like Punjab or supporting textile manufacturing in regions such as Uttar Pradesh. Similarly, Brazil's focus on vocational training offers a useful precedent for reforming the MGNREGS program, reorienting it toward building a more skilled and employable rural workforce. Furthermore, Vietnam's success in rural electrification highlights the fundamental need for reliable power infrastructure to support the growth of rural industries. By thoughtfully integrating these valuable lessons from international experiences, India can develop a robust and effective framework for achieving comprehensive rural economic transformation.

Policy Recommendations for Inclusive Growth

To effectively bridge the persistent rural-urban divide and unlock the immense potential of rural India for inclusive growth, the following evidence-based policy recommendations should be implemented:

- **Mobilize Unspent Funds:** Adopt and scale digital tracking systems for rural development funds, drawing on the successful pilot program in Odisha, with the specific goal of reducing disbursement delays by at least 30%. Prioritize the allocation of the ₹15,825.35 crore in unspent PMAY-G funds towards achieving tangible

outcomes in housing provision and job creation by the year 2027 (Odisha Rural Development, 2024).

- **Expand Digital Inclusion:** Aggressively expand rural internet access to reach at least 50% of rural households and increase digital literacy rates among rural adults to 40% by the year 2030. This can be achieved by strategically leveraging existing Digital India initiatives and fostering robust public-private partnerships in the telecommunications sector (TRAI, 2024).
- **Promote Rural Industrialization:** Implement a package of targeted tax incentives and subsidies designed to attract private sector investment in the establishment of rural industrial parks. Aim to create at least 1 million new jobs in rural areas through these industrial initiatives by the year 2030, drawing upon the successful model of Tamil Nadu's SIPCOT industrial development program (SIPCOT, 2024; NITI Aayog, 2024).
- **Modernize Agriculture:** Scale the adoption of AI-driven agricultural tools and platforms, such as the Kisan e-Mitra, to reach at least 50% of Indian farmers by the year 2030. This should contribute to an estimated ₹2 lakh crore increase in the nation's agricultural GDP. Simultaneously, expand the implementation of effective Minimum Support Price (MSP) reforms on a nationwide basis to ensure fair remuneration for agricultural produce (ICAR, 2024; Ministry of Agriculture, 2024).
- **Ensure Environmental Sustainability:** Mandate the adoption of water-efficient manufacturing processes and the utilization of renewable energy sources in all newly established rural industrial projects. This proactive approach will help mitigate climate-related risks, such as water scarcity, and ensure the long-term environmental sustainability of rural industrialization, drawing inspiration from successful solar energy initiatives in states like Maharashtra (TERI, 2024).
- **Strengthen Local Governance:** Implement comprehensive capacity-building programs aimed at training at least 10,000 panchayat officials annually. The objective is to enhance their skills and efficiency in project planning, implementation, and fund utilization, thereby increasing the overall efficiency of rural development fund utilization by an estimated 20% by the year 2028 (Ministry of Panchayati Raj, 2024).
- **Foster Public-Private Collaboration:** Actively encourage corporations to invest in the development and marketing of affordable, rural-specific products and services. Simultaneously, incentivize financial institutions to expand the reach and accessibility

of micro-loan facilities and comprehensive insurance products in rural areas, building upon the successes of initiatives like the Pradhan Mantri Fasal Bima Yojana (PMFBY) and the market penetration strategies of companies like Reliance Jio (Ministry of Agriculture, 2024; Reliance Jio, 2024).

Conclusion

India's enduring rural-urban divide poses a complex, multifaceted challenge—but it also offers a transformative opportunity to unlock the vast, untapped potential of its 900 million rural citizens. The substantial amount of unspent rural development funds, such as the ₹15,825.35 crore under the PMAY-G, must be efficiently mobilized to build essential infrastructure, generate crucial employment opportunities, and foster widespread digital inclusion. Overcoming the inertia of bureaucratic inefficiencies through the adoption of digital tracking systems and strategic capacity-building initiatives at the local governance level is paramount. By prioritizing the modernization of agriculture through the integration of digital tools and the implementation of fair pricing mechanisms, actively promoting rural industrialization through targeted incentives and comprehensive skill development programs, and strategically leveraging corporate innovation to develop affordable and relevant products for rural consumers, India can effectively transform its rural economy into a dynamic and significant contributor to national economic growth. Drawing valuable lessons from global experiences in countries like China, Brazil, and Vietnam underscores the importance of implementing localized solutions, investing in human capital development, and fostering strong and effective public-private collaborations. The adoption and effective implementation of targeted policies—centered on efficient fund utilization, rapid expansion of digital infrastructure and literacy, promotion of sustainable industrial practices, and reinforcement of local governance—can lay the foundation for a more unified and prosperous India. In this vision, every farmer, every worker, and every aspiring individual, from the fertile plains of Bihar to the arid landscapes of Rajasthan, can rightfully claim their stake in a prosperous and equitable future. The path forward demands decisive and sustained action to ensure that no promise remains unfulfilled and no future potential goes unclaimed.

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