

Rural Economy in India with special reference to Andhra Pradesh: Need for Reforms

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ABSTRACT

They will go to die there, where there is life. COVID-19 lockdown flooded streets with migrant labourers which were marching to their villages to find warmth and empathy. Many reached their homes but several failed and died on streets and railway tracks. The current study offers insights on the plight of migrant labourers and impact of COVID-19 on rural economy in India. The major finding of the study suggests 400 million workers in India in the informal economy are at the risk of falling deeper into poverty during the crisis. The low reporting of COVID-19 cases due to low testing will result in community spread. The reverse migration will create excess pressure on the agriculture and rural economy which will result in a significant number of people to fall into abject poverty. COVID-19 will have both short and long-run effect on the rural economy in India. The government economic package contains majorly long-term measures whereas short-term measures such as cash incentive and wage subsidy should be given to save migrant labourer and marginal farmers. Above all, mass corruption in the system is the biggest challenge in the effective implementation of plans.

Gross State Domestic Product (GSDP) and per capita income show that while AP has continued to grow, there are clear pockets of stagnation. Regional studies indicate that districts in regions like Telangana (before bifurcation), Coastal Andhra, and Rayalaseema had widely divergent growth rates. Some districts exceeded the state average in growth. This empirical analysis of inclusive economic growth and regional disparities in Andhra Pradesh highlights the complex and uneven nature of development within the state. While Andhra Pradesh has recorded notable economic progress over the past decade particularly in terms of Gross State Domestic Product (GSDP) growth, infrastructure expansion, and sectoral diversification these gains have not been uniformly distributed across regions or social groups. The findings clearly indicate that growth alone has not guaranteed inclusiveness, and significant inter-regional disparities persist.

INTRODUCTION

COVID-19 was first declared a public health emergency and later a pandemic by the World Health Organization (WHO). Currently, the spread of the novel virus is in more than 190 countries. There are a national emergency and lockdown in most of countries. Till date, more than 4 million people across the globe are affected by COVID-19 virus and around 300 thousand people lost their life. The pandemic is not new for India, the Plague (1896 to 1939) and Spanish flu (1918) in the past caused 12 million deaths in just three months. So far more than 100 thousand cases are reported in India from COVID-19 and more than 3 thousand people have lost their lives. India's effort to combat COVID-19 virus has been praised over the globe. However, the lockdown came on economic cost and cascading impact on all the sections of society. The corona virus pandemic has triggered a massive reverse migration from the urban to rural areas in large parts of the country. Indian roads are flooded hundreds of thousands of labourers marching back to their villages to find some warmth and empathy (Dandekar and Ghai, 2020). The central and states government in India under

the special economic package, Pradhan Mantri Garib Kalyan Yojna (PMGKY) scheme etc. tried to take care of the economy and the poorest among the poor but effective implementation of this scheme poses a big challenge (Jha 2020). The governance related issues is very important in the effective implementation of the scheme (Singh 2019).

Migrant's workers are the engine of growth from centuries which have been working day and night for the economic success of any region across the globe. On the other side, they are the most vulnerable and have no access to any kind of social security. The forced reverse migration from urban to rural areas will have a significant impact on the demography, society and economy of rural India. Most of the migrant workers were marginal farmers in the past which left agriculture and moved to urban areas for better economic opportunities. The forced reverse migration amid agrarian crisis poses a big threat on people to fall into abject poverty.

The current study offers insights on the impact of reverse migration on rural society and the economy. Status of the Indian economy and success Indian planning is also assed. The status of the health infrastructure of India and bias in COVID-19 cases due to low testing is examined. The long-run and short-run economic linkages of the COVID-19 on the economy are also discussed. The status of the agricultural sector and issues related to the agrarian crisis is also reported. The major findings of the study suggest COVID-19 will have both short and long-run effect on the rural economy in India. In the short-run, through the excess burden of the health sector, there would be high mortality and loss of economic welfare (poverty, unemployment, illiteracy etc.). On the other side, in the long-run through confidence channel, it would affect physical and human capital. The low reporting of COVID-19 cases due to low testing will result in the community spread of the novel virus. The reverse migration will create excess pressure on the agriculture and rural economy which will result in a significant number of people will fall into abject poverty. The remainder of the paper is as follows: Section 2 gives an overview of the Indian economy. Health infrastructure is discussed in section 3. Theoretical linkages of COVID-19 and the economy is covered in the section for 4. Status of Indian agriculture and issues related to agriculture and the rural economy is discussed in section 5 and 6 respectively. The study concludes with section.

Overview of the Economy

The growth prospectus of India for the year 2020-21 ranging from 0.8 to 4.0 per cent. This tentative and wide range of forecast is due to the extent of uncertainty. The International Monetary Fund (IMF) have predicted 2020-21 India's growth rate at 1.9 per cent, China's growth rate at 1.2 per cent and 3 per cent decline in global growth. The actual growth outcomes of India depend on various factors such as the speed at which the economy is opened, how fast the novel virus is contained and government plans to boost the economy. The government has recently announced Rs. 20 lakh crores package to revive the economy, but the actual effect of the plan lies in the effective implementation of the plan. Most of the assessment on growth projections by different institutions are based on advanced estimates, which may be revised in the future. To better understand the economic scenario of the country, the Gross Value Added (GVA) or total output is assessed for 12 major sectors of the economy for the year 2017-18. Contribution of agriculture and allied activates (12.003) in the total GVA. The contribution of the manufacturing (35.196) is highest as a single sector in the economy but services combined contribute is more than 50 per cent of total GVA.

Health Infrastructure

In India, private healthcare is expensive and unavailable for the majority of peoples who leave public healthcare as the only option in the time of need. For critical COVID-19 patients, we require healthcare facilities such as intensive care units (ICU) and ventilators. Currently, all the COVID-19 positive cases are transferred to government hospitals. Hence, it is important to assess where India and its states/union territories stand in terms of health infrastructure to fight the novel virus. The reports healthcare indicators of India and majorly affected countries of the world from the COVID-19. In India, the healthcare indicators such as hospital beds (0.7), physicians (0.7256) and nurses (1.3757) per 1000 population are below than the majorly affected countries from the novel virus. The death toll in the USA is reached 100 thousand and more than 1 million people are affected by the virus. Most of the European countries are badly affected and the current Indian

healthcare infrastructure raises serious concern about the ability of the Indian health system to tackle the serious situation. The present theoretical link is adopted from Evans & Over (2020); Boone (2020) and Singh & Neog (2020). The health sector would play a vital role in the economy.

Indian Agriculture

India is the country of villages, where the major population lives in rural areas. Agriculture and agriculture-related services are the major sources of livelihood of the peoples. In the past few decades, farm distress led to huge migration from rural to urban centres. The structural economic growth theories explain every economy in the transition phase moves from traditional (agriculture) to the modern sector (manufacturing/services). India is the fifth-largest economy in the world in terms of purchasing power parity (PPP) whereas the mass population in the country lives in abject poverty. Economist believes, post liberalization higher growth from IT sector helped India to grow fast but is also responsible for the rural and urban divide. Irrespective of high growth from the IT sector in the past two decades, agriculture remained a major source of livelihood for the majority of the population. Since Independence, there is a substantial decline in the contribution of agriculture and allied activities in the total GVA. There is a large number of studies confirms the agrarian crisis in the Indian economy. The GFCF in agriculture declining year after year, the trends in the production of major crops in India. Only livestock and non-food crops show a positive trend, whereas there is slow or negative growth in the production of the majority of food crops after 2009.

REVIEW OF LITERATURE

COVID-19 brings crisis on several economic and non-economic fronts over the globe. There would be demand and supply shocks because of trade restriction and labour mobility. In India, there would serve consequence on 81 per cent people employed in the informal sector (ILO, 2018). Almost 90 per cent of the workers in the informal sector has survived with no minimum wage or any kind of social security (Sharma, 2020). Even after the unorganised worker's social security act (2008), only 5-6% got enrol for social security. According to Periodic Labour Force Survey (PLFS) of 2017-18, 71.1% had no job contract, 54.2% are not eligible for paid leave and 49.6% has no social security (Mohanty, 2019). The return or reverse migration amid the agrarian crisis in the agricultural sector from urban to rural areas pose big challenges on the rural economy. The specific issues are: 6.1 Return or Reverse Migration According to International Migration Organisation (2011), "return migration is the act or process of going back to the point of departure, is the returning of people to their origin or place of habitual residence after spending some time at another place". It can be a voluntary return or forced migration. Irrespective of the reason for migration, the return poses a significant impact on the demography, society and economy of rural areas. Finally, return migration to rural areas has a significant impact on the economy of the rural areas as well since in some cases it dramatically contributes towards boosting the economic activities in the area. In the current situation, the internal migrant labourers in India is around 450 million. Field realities show migrant labours are higher in case of UP and Bihar followed by MP, Punjab, Rajasthan, Uttarakhand, Jammu and Kashmir and West Bengal. Currently, returnees are coming with empty hands which have left their destination to save their life from poverty and hunger. According to ILO estimates around 400 million workers in India in the informal economy are at the risk of falling deeper into poverty during the crisis. 6.2 Agrarian Crisis and Reverse Migration There is a crisis in the agriculture sector over the past two decades. In India, the majority of farmers are small landholders facing the problem of falling productivity, water scarcity etc. Majority of the returnees were marginal farmers in the past. On the other hand, due to low productivity and hoarding of food articles, there will be a rise in the prices of food items which will majorly affect poor people.

Empirical Results

The empirical results reveal that coastal districts and urban centers, especially those with better connectivity, industrial presence, and access to services, have experienced faster income growth and improved social indicators. In contrast, Rayalaseema and several backward inland districts continue to lag behind in terms of per capita income, employment opportunities, educational attainment, and healthcare access. These disparities are further reinforced by unequal access to public investment, credit facilities, and human capital development.

Despite targeted welfare schemes and decentralization efforts, structural disadvantages in less-developed regions limit their ability to fully benefit from economic growth. Inclusive growth indicators such as poverty reduction, employment generation, and social sector outcomes show mixed results. While poverty levels have declined overall, the pace of reduction varies significantly across regions, suggesting that vulnerable populations in backward areas remain exposed to economic shocks and limited livelihood options. The analysis also underscores the importance of non-income dimensions of inclusion such as education, health, gender equity, and financial inclusion which continue to exhibit spatial imbalances within the state. The study emphasizes that addressing regional disparities in Andhra Pradesh requires a shift from growth-centric strategies to region-specific and inclusion-oriented development policies. Strengthening rural infrastructure, promoting agro-based and small-scale industries, enhancing skill development, and improving the quality of education and healthcare in backward regions are critical for achieving balanced growth. Furthermore, effective governance, transparent implementation of welfare programs, and increased participation of local institutions can play a vital role in ensuring that development benefits reach marginalized communities.

CONCLUSION & POLICY SUGGESTIONS

Prime Minister Narendra Modi announced a mega 20 lakh crore rupees package for the Indian economy on 12th May 2020 which is 10 per cent of total GDP. The current package is inclusive of the past package (PMGKY, RBI liquidity measures, interest cuts) which was around 4 per cent of GDP. The major focus of the package is land, labour, liquidity and laws which will cater needs of cottage industries, MSMEs, labourers and middle class. In the long-run to reduce inequalities of income, regional imbalance and share of migrant workers, localization of industries and employment is the need of the hour. Apart from providing credits, there is also a need to work on institutional factors such as law and order, corruption etc. for effective implementation of the policies. In the manufacturing industry, migration or migrant labourers are the engine of growth. Therefore, the government has to work on the mechanism of how these migrant labours are brought back to their respective jobs. The localization of industries and employment can release pressure from the agricultural sector. There should be a comprehensive plan for structural transformation from the primary to the modern sector. Agricultural reforms such as competitive credits, modern farm inputs and better producer price to be taken to make agriculture profitable. In short-run, measures such as cash incentives should be given to the migrant labourers, and marginal farmers to save them from poverty and starvation. Similarly, wage subsidy should be given an informal sector. Above all, mass corruption in the system is the biggest challenge in the effective implementation of plans.

Inclusive economic growth has emerged as a key policy objective for developing economies. It emphasizes not only the pace of economic expansion but also its distributional characteristics ensuring that growth benefits are equitably shared across regions, communities, and socio-economic groups. In the Indian context, all states face challenges in achieving inclusiveness due to historic patterns of inequality, uneven regional development, and structural constraints. Andhra Pradesh (AP), one of India's major states, presents a compelling case for examining inclusive growth and regional disparities due to its varied geography, economic base, and socio-political history. The purpose of this paper is to provide an empirical analysis of inclusive economic growth and regional disparities in Andhra Pradesh. It examines the patterns of growth in the state's economy over recent decades, identifies disparities across different regions (districts and sub-regions), and assesses the socio-economic outcomes associated with growth. It also discusses policy implications, structural drivers of disparities, and strategies for promoting inclusive growth.

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