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# Rural Dreams, Urban Reality



**T**he Indian economy has been on a roll for the past few years and what a party it has been! The nine per cent GDP growth rate has become a vital number flaunted by even those who are totally clueless about issues of the economy. So what does this growth mean for the Indian consumer economy? Let's take a look at some of these issues.

The big differences between rural and urban India when it comes to household income patterns are a pointer to how things will unfold as urbanisation increases. Urban households earn around 85 per cent more than rural ones, spend 75 per cent more and save twice as much as rural households. Much of this can be explained by the higher education levels of the chief earners of urban households.

Rural India accounts for 70 per cent of India's population, 56 per cent of national income, 64 per cent of total expenditure and a third of total savings. No longer are rural economies purely agricultural; agriculture's share has dropped from 74 per cent in 1970 and 41 per cent in 1993 to 40 per cent in 2007-08. And big chunks of salaried and non-agri-

cultural self-employed households are located in rural areas.

As the disposable income of a household grows, the locus of its spending widens from basic needs and food to durables, health and education and investments. The urban-rural disparity is reflected in the ownership profile of most consumer durables.

The gap between the highest and lowest-income households is huge. Nearly 70 per cent of the bottom quintile households reside in low-income states and 90 per cent of these households are in rural areas. On the other hand, half of all top quintile households also live in rural India. Nearly 60 per cent of the top quintile households are occupied in clerical, sales, service-oriented or

professional and administrative jobs. In contrast, nearly 70 per cent of the bottom quintile households are engaged in farming activities. Consumer product ownership is skewed heavily towards the top income quintile groups.

Urban India will add 379 million people — or more than the current population of the United States — over the next 40 years, with over half of India living in towns and cities.

Urban residents are the most educated. Around 51 per cent of households in the top 20 cities have at least one graduate in a household, against just 15 per cent in the villages. So nearly half of those employed in the top 20 cities tend to have salaried jobs against just 10 per cent in the villages. The government cannot simply ignore urban development.

The evolving demographic profile in favour of a younger population suggests that the growth prospects of the Indian economy remain strong, provided their potential is used effectively. With appropriate policy measures from the government and a fitting corporate response, there is no stopping the Indian growth story. ☺

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