Centre for Public Policy Research

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1 INTRODUCTION

India is home to 6.65 lakh[1] villages, accommodating 65%[2] of the national population, a critical part of the country's socio-economic fabric. Even with rapid urbanisation, India will still host the world's largest rural population in 2050 (Proctor and Lucchesi 2012). This underscores the significance of rural communities in national development. While agriculture remains the backbone of rural livelihoods, the economy is gradually diversifying through non-farm livelihoods such as household and non-household manufacturing, processing, construction, mining and quarrying, transport, marketing, and other services[3].

Despite these positive shifts, disparities exist between rural and urban areas. Many rural households continue to have fragile incomes; although multidimensional poverty has declined over the years, a significant number of rural households still face challenges in securing stable and sustainable livelihoods. These socioeconomic conditions are closely intertwined with mobility and accessibility. Limited connectivity and inadequate transportation options influence access to education, healthcare, and employment, reinforcing existing inequalities.

[1] *https://www.pib.gov.in/FactsheetDetails.aspx?Id=149120&reg=3&lang=2*

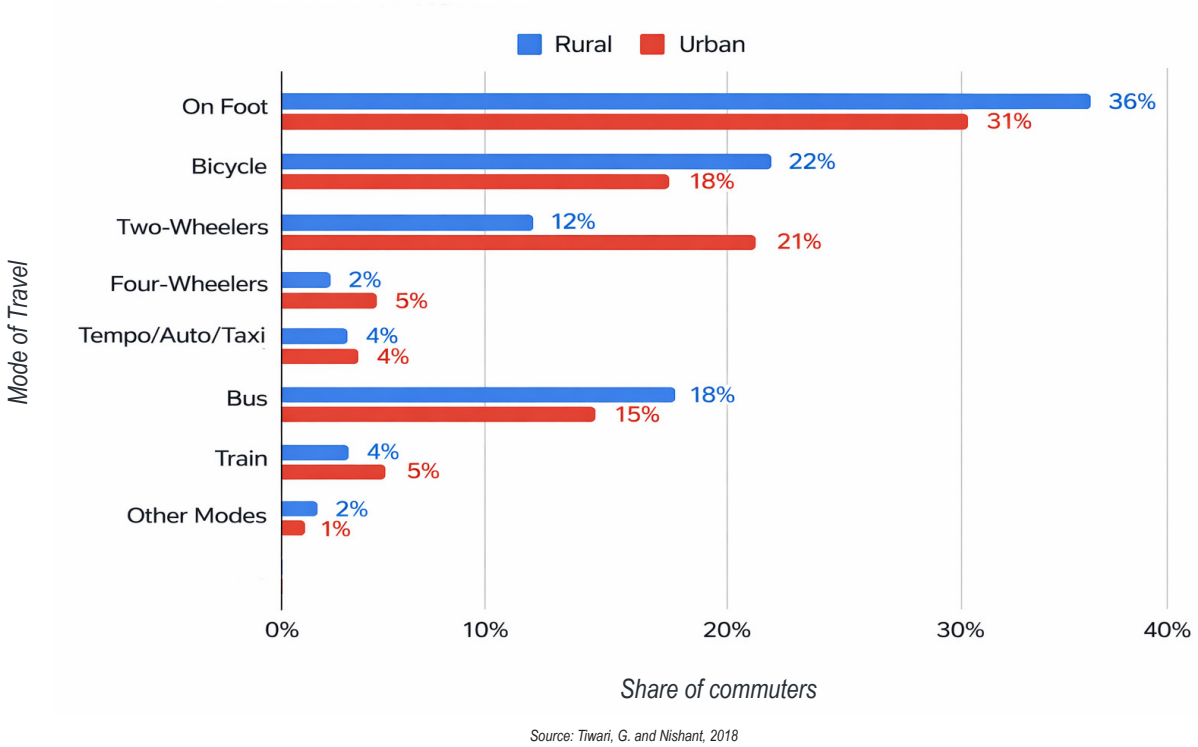
[2] *https://www.iipa.org.in/GyanKOSH/posts/building-rural-india-a-roadmap-for-prosperity-introduction*

[3] *https://bdobilkhawthlir.mizoram.gov.in/page/non-farm*

2 RURAL TRANSPORT

Transportation in rural India remains a major challenge, with many households lacking adequate and affordable access to public transport services despite improvements in road connectivity. Unlike the urban scenario, travel patterns in rural India remain dominated by non-motorised modes (Tiwari, G. and Nishant 2018); over one-third of rural workers walk to work, and more than one-fifth use bicycles (refer to Graph 1), reflecting limited access to motorised options. While public transport plays an important role, its availability is far below demand; for example, in Maharashtra, 8,700[4] out of 14,000[5] buses provide services in urban areas. In other words, while 6.87[6] crore people (54.8% of the population) in Maharashtra live in rural areas, only 37.8% of the MSRTC buses ply in rural areas. Similar patterns appear across the country, worsening the mobility inequities and constraining access to education, healthcare, markets, and employment.

Graph 1: Travel Pattern of Rural and Urban Residents



Source: Tiwari, G. and Nishant, 2018

[4] *https://itdp.in/wp-content/uploads/2025/01/English-Press-Release-ITDP-India.pdf*

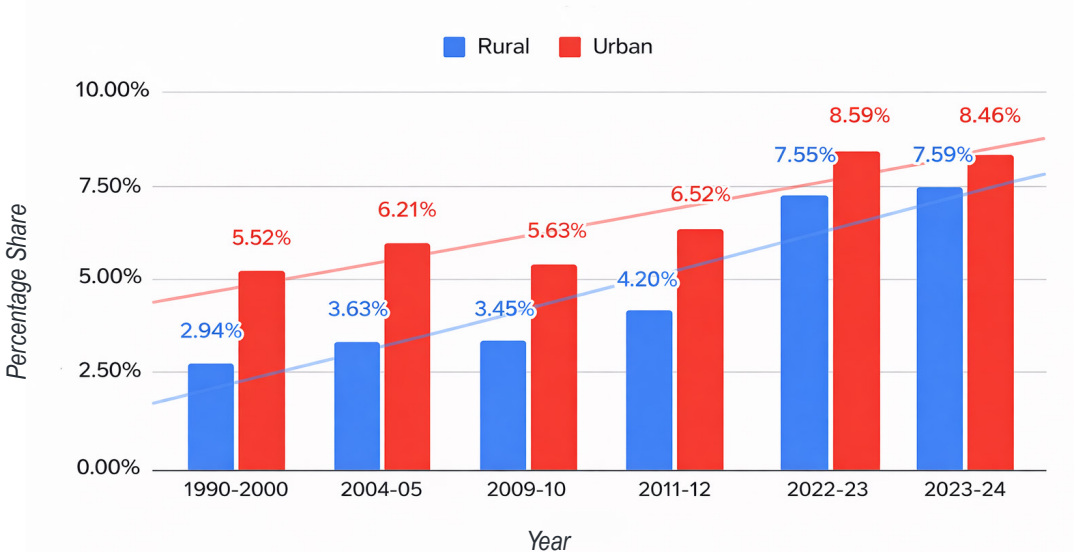
[5] *https://economictimes.indiatimes.com/news/mumbai-news/msrtc-to-add-3500-new-buses-to-its-fleet-in-2025/articleshow/116458196.cms?from=mdr*

[6] *https://ejalshakti.gov.in/JJM/JJMReports/BasicInformation/JJMRep_RWS_RuralPopulation.aspx*

Rural-urban monthly household consumption expenditure patterns further highlight the burden of inadequate transport options: the share of conveyance expenditure of a rural household in overall spending rose from 4.20% in 2011-12 to 7.59% in 2023-24 (refer to Graph 2). Additionally, when examining non-food expenditure, several states show particularly high conveyance burdens among rural households, notably Kerala (19.06%), Tamil Nadu (18.96%), and Andhra Pradesh (16.52%), indicating that conveyance costs constitute a sizeable share of non-food expenditure (refer to Graph 3).

Graph 2: Rural vs. Urban Comparison (Overall Expenditure)

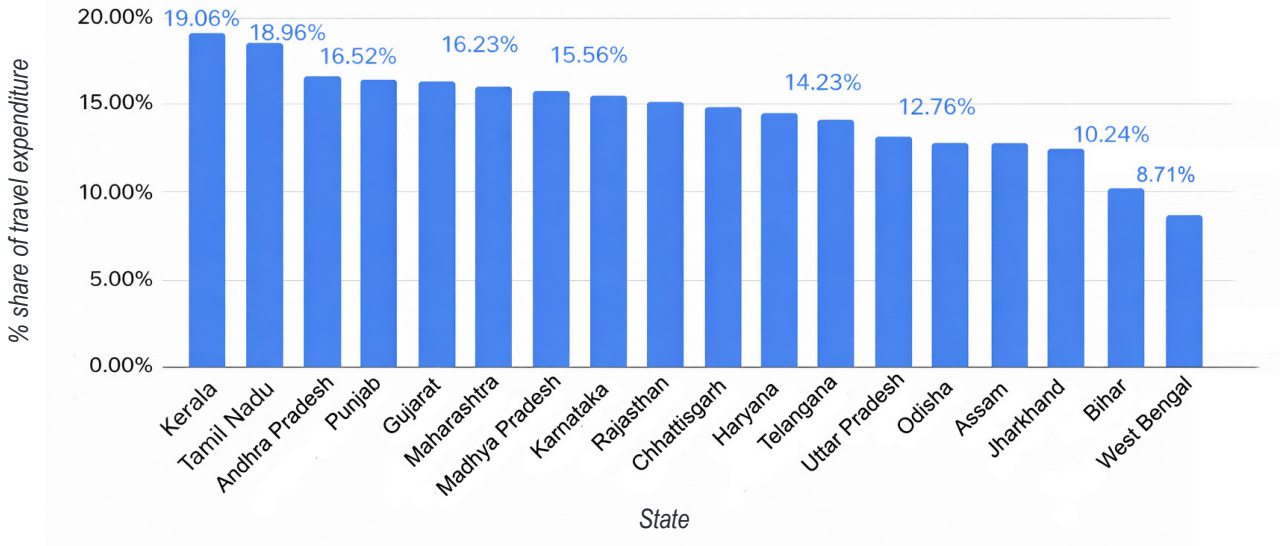
Conveyance Expenditure Share in Overall Household Spending (Rural vs Urban)



Source: MoSPI, 2023-24

Graph 3: State-Level Comparison of Rural Conveyance (Non-Food Expenditure Only)

Rural Conveyance Expenditure as a Share of Non-Food Spending by State



Source: MoSPI, 2023-24

This trend is accompanied by rapid motorisation. The National Sample Survey Office (NSSO) data show that rural vehicle ownership increased from 4% in 2011-12 to 35.6% in 2022-23, primarily driven by two-wheelers. Yet this shift remains uneven, as poorer households continue to rely heavily on walking and bicycling, and gender disparities restrict women's access to faster and safer modes of transport. States with lower shares of conveyance expenditure in non-food spending, such as Bihar (10.24%)[7] and West Bengal (8.71%)[8] , often reflect more limited mobility choices rather than reduced travel needs. The coexistence of rising aspirations, increasing financial burden of transport and persistent service gaps underscores the need for accessible, affordable, and reliable rural mobility systems capable of supporting inclusive economic participation and enhancing social well-being.

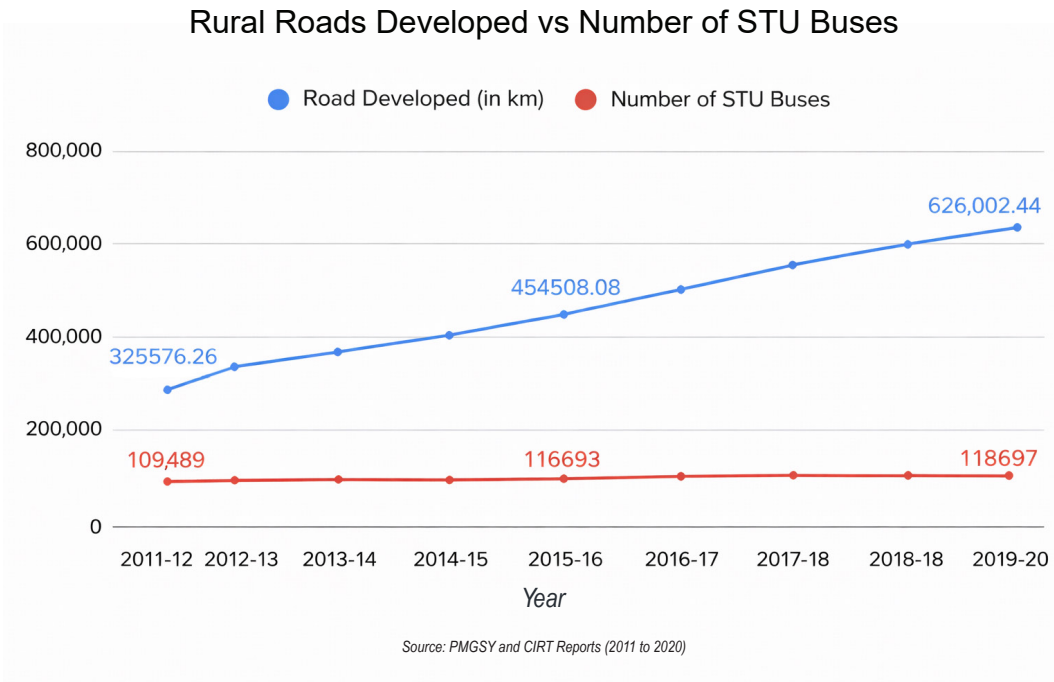
[7] *In Bihar, BSRTC has only 576 buses to serve a population of over 13.4 crore*

[8] *In West Bengal, 1,400 WBTC buses cater to nearly 10 crore people*

3 RURAL PUBLIC TRANSPORT OVERVIEW

Public transport in rural India remains severely limited in terms of connectivity and service frequency. In 2020, India had 118,697 buses operating mofussil services and 23,044 buses operating urban services under 48 state transport undertakings (CIRT 2022). While the length of rural roads developed under Pradhan Mantri Gram Sadak Yojana (PMGSY) has increased by 92.3% over the past decade, the number of State Transport Undertaking (STU) buses providing mofussil services has grown only by 8.4% (refer to Graph 4 below). This reflects a stronger focus on infrastructure development without a corresponding expansion in service delivery. As a result, rural communities gain road connectivity, but mobility options remain limited and costly, leading to higher travel expenditure.

Graph 4: Comparison of Rural Road Development with the Number of STU Buses Providing Mofussil Services



Source: PMGSY and CIRT Reports (2011 to 2020)

According to STU reports, passengers carried by STU buses (mofussil services) in 2019-20 were 13.43 billion (CIRT 2022), translating to a daily ridership of 36.79 million on mofussil services. When compared with India's rural population of around 900 million, this ridership figure indicates that public transport services meet the mobility needs of only about 4% of the rural population. Unlike urban areas, buses account for the majority of motorised trips in rural areas (refer to Graph 1), as access to other modes of transportation is limited. This further highlights the role of public transport in meeting basic rural mobility needs. Despite this dependence, there exists a significant imbalance in service provision in rural and urban areas. The following section examines the extent of bus availability in rural and urban contexts to understand the disparities that influence broader mobility outcomes.

4 BUS DENSITY ON RURAL AND URBAN ROADS

As of March 31, 2020, rural roads constituted the largest share of India's road network, accounting for 70.7%[9] of the total (MoRTH 2025). In comparison, National Highways made up just 2.1%, State Highways 2.8%, while District Roads and Urban Roads accounted for 9.7% and 8.6%, respectively (refer to Table 1). This distribution reflects the scale and geographic spread of villages in India. However, when road length is compared with public transport availability, a stark imbalance emerges. Rural roads span 44.96 lakh km, yet only 118,697 buses operate on them, resulting in just 26.4 buses per 1,000 km of rural road length (refer to Table 2). By contrast, urban roads cover 5.48 lakh km and are served by 23,044 buses, translating to 42 buses per 1,000 km. Despite having more than eight times the road length of urban areas, rural India receives significantly fewer bus services relative to its network size. This mismatch between infrastructure presence and service provision highlights the critical gap in rural mobility.

Table 1: Composition of India's Road Network by Type

Type of road	Road length in km	Percentage
National Highways	132995	2.1%
State Highways	178749	2.8%
District Roads	616964	9.7%
Rural Roads	4495948	70.7%
Urban Roads	548394	8.6%
Projects Roads	386954	6.1%
Total	6360004	

Source: MoRTH, 2024-25

Table 2: Comparison of Bus Density on Rural and Urban Roads in India

Type of road	Total km	No. of buses	Bus availability per 1000 km of road length
Rural Roads	4495948	118697	26.4 buses
Urban Roads	548394	23044	42 buses

Source: Author

[9] *https://morth.nic.in/sites/default/files/Annual-Report-English-with-Cover.pdf*

4.1 Service Availability in Rural and Urban Roads

The availability of a service plays a crucial role in determining the reliability of the public transport system. Even though rural roads make up more than 70% of the road network in India, the frequency of bus services remains far lower than on urban roads. An analysis of vehicle productivity per day and average route length indicates that an STU bus operates nearly four times as many daily trips on an urban route as a bus on a rural route (refer to the calculations below). When this operational difference is viewed alongside the size of the road network, the discrepancy between urban and rural services is even more pronounced. The adequate availability of STU buses on rural roads is approximately seven times lower than on urban roads (refer to the calculations below). It is also important to note that the rural services reported by STUs in practice are mofussil services, which include routes connecting towns or linking rural areas to urban centres, suggesting that the absolute gap in bus availability between rural and urban areas is likely to be even higher.

Calculation of bus service availability in a rural road vs an urban road

Based on the CIRT report on STU performance,

Vehicle productivity in a day (or average number of kilometres run by a bus in a day)

- Rural services = 334 km
- Urban services = 166 km

Based on the available data in the report, we calculate

Average route length

- Rural services = 150.4 km
- Urban services = 20.5 km

We can calculate the number of services provided by a single bus as:

Number of trips by a bus in a day = (Total kilometres run by a bus in a day) / (Route length)

Thus, the number of trips plied by a bus in a day,

- In rural areas = 334/150.4 = 2.22
  => 2 one-way trips

- In urban areas = 166/20.5 = 8.08
  => 8 one-way trips

In a route, for a single service to be completed, the service provider would have to run the bus to and from the area. Thus, on average, a bus in rural India provides a **single service,** whereas a bus in urban India provides **4 services.**

Effective number of services available in a day

Number of services = number of buses * number of services per bus

Therefore

- Number of Mofussil services = 118697*1 = 118697 services
- Number of City services = 23044*4 = 92176 services

Calculating the availability of a bus on a road

Bus availability = Number of services/road length

That is,

- Bus availability in rural roads = 118697/4495948 = 0.026
- Bus availability in urban roads = 92176/548394 = 0.168

To understand the comparative difference in the bus availability in rural and urban areas,

Rural-to-urban ratio of bus availability = 0.026/0.168 = 0.15

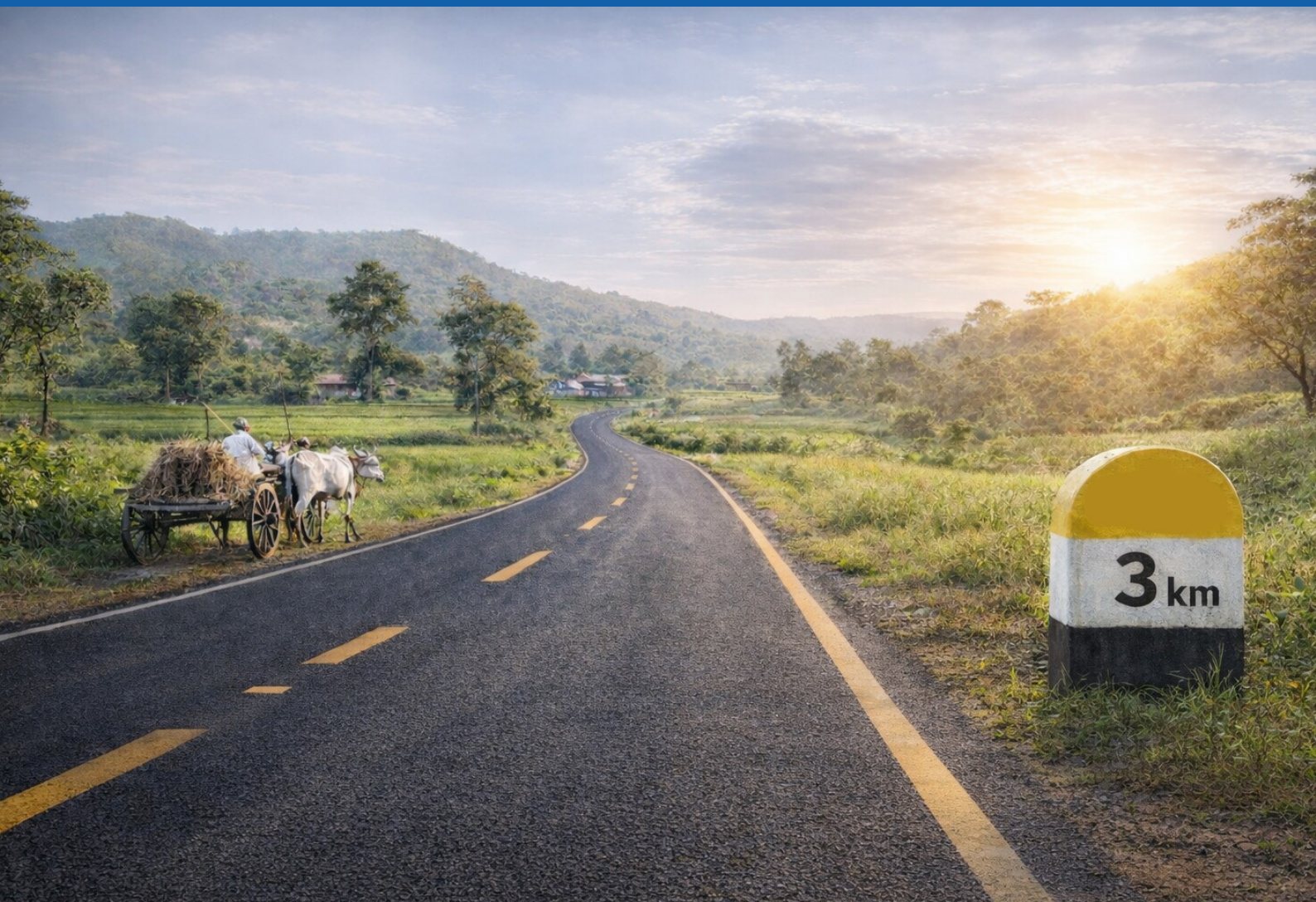
or

Rural-to-urban bus availability is 1:7

Putting it into words, **for every 100 buses available on urban roads, only 15 buses are available on rural roads.**

Note: The rural services mentioned here are mofussil services, which could connect two towns or a rural area to a city centre. Pointing out that the absolute difference in the rural bus availability to urban bus availability would be even higher.

5 CENTRAL GOVERNMENT SCHEMES FOR RURAL CONNECTIVITY



The Government of India implements a wide range of rural development programs aimed at strengthening livelihoods, improving infrastructure, and enhancing social and economic well-being across rural communities. While the Ministry of Rural Development's flagship initiatives address diverse needs ranging from income security and model village development to rural housing and skill enhancement, the focus on rural mobility is largely centred on building roads under the Pradhan Mantri Gram Sadak Yojana (PMGSY). In contrast, dedicated efforts to enhance rural public transport services remain limited, with the Aajeevika Gramin Express Yojana (AGEY) under the Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM) being the only program. In this section, we examine both PMGSY and AGEY to assess how they address rural mobility needs and to identify the key opportunities and challenges faced by rural communities.

5.1 Pradhan Mantri Gram Sadak Yojana (PMGSY)

The Pradhan Mantri Gram Sadak Yojana (PMGSY) is a flagship program of the Government of India, aimed at providing all-weather road access to unconnected rural habitations. As part of the poverty reduction strategy, the scheme supports state governments in ensuring road connectivity to every village with a population of above 500 in plain areas and above 250 in special category areas such as hilly areas, desert areas, and tribal areas. Since its inception, PMGSY has made substantial progress. By the end of 2024, a total of 162,744 habitations have received road connectivity under the scheme. This includes 6,048 habitations with a population of 100-249, located in left-wing extremism-affected areas, where improved road access is crucial not only for socio-economic development but also for strengthening the security and state presence.

In the 2025-26 budget, the scheme received an allocation of ₹19,000 crore, which is 31% higher than the 2024-25 budget. With continued focus on rural road development, the scheme operates through five verticals:

- **PMGSY I:** Connecting habitations with a population above 500 in plain areas and above 250 in hilly areas.
- **PMGSY II:** Upgradation of 50,000 km of existing routes that serve as major link roads.
- **PMGSY III:** Construction of 1.2 lakh km of roads to connect habitations with local markets, higher secondary schools, and hospitals.
- **RCPLWEA:** Road Connectivity Project for Left Wing Extremism Affected Areas.
- **JANMAN:** Road construction for Particularly Vulnerable Tribal Groups under PM-JANMAN.

The length of road sanctioned and completed under different verticals of the scheme is listed in Table 3 below:

Table 3: Length of Road Sanctioned and Completed Under Different Verticals of PMGSY (in km)

Vertical	Sanctioned kilometres	Completed kilometres	Completion rate
PMGSY I	644,872	624,622	97%
PMGSY II	49,795	49,026	98%
PMGSY III	121,928	88,068	72%
RCPLWEA	12,228	9,334	76%
JANMAN	4,781	40	1%

Source: PRS India, 2025

As of December 2024, the overall expenditure of PMGSY was ₹3,30,891[10] crore. The newly launched PMGSY IV, to be implemented from financial year 2024-25 to 2028-29, has an approved total outlay of ₹70,125[11] crore. This phase aims to construct 62,500 km of all-weather rural roads to connect an additional 25,000 unconnected habitations.

5.2 Aajeevika Grameen Express Yojana (AGEY)

The Ministry of Rural Development launched the Aajeevika Grameen Express Yojana in 2017 as a sub-scheme under the Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM). The sub-scheme was designed to provide safe and affordable rural transport services to connect remote villages with essential services such as markets, education, and healthcare, leveraging the institutional and financial support mechanism of the parent scheme, DAY-NRLM. AGEY was also focused on creating non-farm livelihood options for rural communities to operate public transport services in underserved rural areas identified by the state governments (Lok Sabha 2018). The sub-scheme is approved in 359 blocks across 25 states in India and has sanctioned 2,297[12] vehicles in total (Lok Sabha 2025)[13].

5.2.1. Key Features of AGEY

A key feature of AGEY is its strong emphasis on women's participation. The sub-scheme encourages women from local self-help groups (SHGs) to operate transport services and become rural transport entrepreneurs. To enable this, AGEY provides financial assistance to SHGs and other community-based organisations (CBOs) to acquire smaller vehicles like e-rickshaws, autorickshaws, small buses, or other terrain-specific vehicles. The services may be operated by a women's group as a collective or by any individual member, in accordance with the state government guidelines.

[10] *https://www.pib.gov.in/PressReleseDetailm.aspx?PRID=2088996&reg=3&lang=2*

[11] *https://www.pib.gov.in/PressReleseDetailm.aspx?PRID=2088996&reg=3&lang=2*

[12] *https://www.pib.gov.in/PressReleasePage.aspx?PRID=2146872&reg=3&lang=2*

[13] *https://sansad.in/getFile/loksabhaquestions/annex/184/AU3951_MGrNtk.pdf?source=pqals#:~:text=The%20study%20observed%20women's%20role,*

Funding under the sub-scheme would cover key expenses, including vehicle procurement, driver training, and operational support, to promote a financially sustainable transport service. Recognising the limited economic feasibility, AGEY provides for viability gap support through the provision of interest-free loans to beneficiaries. Implementation of AGEY is carried out by the Ministry of Rural Development, in collaboration with the State Rural Livelihood Missions (SRLMs), which play a central role in identifying the beneficiary groups.

Under the initiative, the state governments are responsible for identifying the villages and conducting route feasibility studies, in coordination with the State Transport Department and local bodies. The findings of these studies inform the selection of an appropriate vehicle type and whether ownership should rest with an SHG member or a CBO. As part of the process, a detailed business plan should be prepared by the beneficiary under the guidance of the SRLM.

5.2.2. Evaluation of AGEY Over the Years

To assess the performance and the outcomes of AGEY, the National Institute for Rural Development and Panchayati Raj (NIRD&PR) conducted an impact study in 2022[16]. The study examined how the initiative has influenced rural mobility. The key findings of the study are:

- Enhanced connectivity to remote areas: AGEY vehicles were successful in extending the transport services to some of the remotest habitations that lacked formal public transport connectivity.
- Targeted beneficiary distribution: AGEY vehicles were distributed to the economically weaker sections, allowing them to become rural transport entrepreneurs and earn more. The visible participation of women under AGEY has challenged social taboos and marked a shift in gender norms.

Pradhan Mantri Gram Parivahan Yojana

In 2016, the Government of India announced the Pradhan Mantri Gram Parivahan Yojana to improve rural mobility by introducing subsidised public transport services using 10-12 seater vehicles (NITI Aayog 2018)[14]. This scheme, which focused exclusively on rural transport services, was later replaced[15] in 2017 by AGEY, a sub-scheme under the DAY-NRLM scheme. Although the new AGEY scheme retains the core objectives of the older scheme, facilitating transport services in rural areas and also providing job opportunities to rural youth, the initiative's repositioning as a sub-scheme has diluted the singular focus on rural mobility. This institutional downgrade has limited the scale and impact of the initiative, particularly when compared to what a standalone national rural scheme could achieve.

[14] *https://e-amrit.niti.gov.in/assets/admin/dist/img/new-fronend-img/report-pdf/BCG.pdf*

[15] *https://sansad.in/getFile/loksabhaquestions/annex/15/AU3706.pdf?source=pqals#:~:text=The%20Ministry%20is%20implementing%20Aajeevika,VGF)%20for%20supporting%20the%20scheme.*

[16] *https://sansad.in/getFile/loksabhaquestions/annex/184/AU3951_MGrNtk.pdf?source=pqals#:~:text=State/District/Block%2D%20wise,and%20harness%20their%20driving%20skills.*

- Improved access to essential services: AGEY vehicles provided cheaper transport options, reduced waiting times, and improved access to healthcare and markets.
- Economic impact on rural areas: AGEY offered an alternative source of non-farm income while improving the overall rural economy.

These results highlight the importance of such an initiative in rural India; by providing affordable transport options and creating new livelihood opportunities, AGEY has demonstrated clear benefits to the disadvantaged communities. However, the limited scale of implementation also highlights the need for greater focus on expanding the scheme. As a rare national initiative that addresses the rural transport services, AGEY offers an important foundation for such future initiatives.

5.2.3. Type of Services Under AGEY and the Permit System

In 2023, the Ministry of Rural Development released revised guidelines[17] for AGEY. However, the document does not explicitly specify whether operators under the sub-scheme are expected to provide conventional contract carriage services (where a vehicle is hired by an individual or group for a defined trip) or shared services with multiple passengers boarding and alighting along the route. Although in Annexure 1, the route feasibility survey asks respondents about "travel costs on a shared-service basis", suggesting an implicit preference. Combined with the scheme's objective of offering affordable transport in underserved areas, this indicates that AGEY is fundamentally oriented toward shared, community-accessible services rather than conventional contract carriage operations.

The route feasibility study under AGEY determines whether an e-rickshaw, three-wheeler, or four-wheeler is the most suitable vehicle for a particular area or route. The guidelines specify that the maximum financing available per beneficiary is ₹6.5 lakh. Within this limit, the most commonly used options are e-rickshaws and three-wheeler autorickshaws, and the feasible four-wheelers are typically 5-6 seater vehicles (refer to Table 4 below). However, under the Motor Vehicles Act, vehicles with fewer than six seats are eligible only for a contract carriage permit, which legally prohibits multiple boarding and alighting along the route. This regulatory constraint directly conflicts with the core intent of AGEY, to provide shared, affordable transport services in underserved rural areas, and effectively restricts operators from offering shared mobility despite the scheme's design, community expectations, and feasibility study assumptions.

[17] *https://lakhpatididi.gov.in/wp-content/uploads/2024/02/Revised_AGEY_Guidelines.pdf*

Table 4: Vehicle Choices Available to AGEY Beneficiaries

Model	Price (2025)	Seating capacity
E-rickshaw	₹1 - 2 Lakhs	Driver + 4
Autorickshaw	₹2.5 - 3.2 Lakhs	Driver + 3
Mahindra Jeeto Minivan	₹3.5 - 4.8 Lakhs	Driver + 4 (or 5)
Maruti Suzuki Eeco (5-Seater)	₹5.1 - 5.6 Lakhs	5
Maruti Suzuki Eeco (6-Seater)	₹5.4 - 6 Lakhs	6
Maruti Suzuki Tour V	₹5.2 - 6.3 Lakhs	Driver + 4 (or 5)
Mahindra Supro Van	₹7.4 - 8.1 Lakhs	Driver + 9
Tata Magic Express	₹7.3 - 7.8 Lakhs	Driver + 9

Source: Author

Although the AGEY guidelines state that the SRLMs should coordinate with the State Transport Department to issue permits based on the findings of the feasibility study, in practice, RTOs issue only contract carriage permits to these vehicles. Shared services are often allowed through administrative relaxations[18] rather than through a dedicated, legally recognised permit structure (G. Mittal 2022). While the state governments previously lacked the authority to modify permit frameworks under the Motor Vehicles Act, 1988, the 2019 Amendment has altered this landscape. With Section 67 now granting states the legal mandate and procedural autonomy to design permit systems tailored to shared mobility, there is a clear opportunity to create permit structures that align with the operational intent of AGEY and support sustainable rural transport services.

5.3 Comparison of Investment in PMGSY and AGEY

The scale of investment in PMGSY and AGEY reveals a stark disparity in the government's prioritisation of rural road construction over rural transport services. PMGSY, one of the capstone projects of the Central Government, has received a cumulative investment of about ₹4 lakh crores. In contrast, AGEY, implemented through community investment funds (CIF) under DAY-NRLM, was permitted a total financing of only ₹12,750[19] lakhs. In other words, for every ₹1 allocated to AGEY, approximately ₹3,145 is invested in PMSGY (refer to Table 5 below). Such a critical imbalance highlights the fundamental gap in India's rural mobility strategy: while substantial investments are made for building roads, relatively little has been invested in ensuring reliable and affordable transport services that operate on those roads.

[18] *https://www.sciencedirect.com/science/article/abs/pii/S0016718520302517*

[19] *https://sansad.in/getFile/loksabhaquestions/annex/176/AU2352.pdf?source=pqals#:~:text=2352.,facilities%20in%20the%20rural%20areas?&text=(a)%20Yes%20sir.,is%20given%20in%20the%20Annexure.*

Table 5: Comparison of Investments Made in PMGSY and AGEY

Scheme	Funding (in lakhs)
PMGSY (for constructing roads)	₹4,01,01,600
AGEY (for enhancing transport services)	₹12,750
Investment for PMGSY corresponding to ₹1 financed for AGEY	₹3,145.2

Source: Author

6 STATE-LEVEL INITIATIVES FOR RURAL MOBILITY

State governments play a pivotal role in designing mobility solutions tailored to rural mobility needs. Tamil Nadu, Bihar, Himachal Pradesh, and Odisha present four distinct approaches in bridging the gap that persisted in the states after constructing rural roads in the past decades. Understanding these initiatives offers critical guidance for shaping a more coherent framework for rural mobility.

6.1 Mini Bus Scheme - Tamil Nadu

The Government of Tamil Nadu introduced the Mini Bus Scheme in 1997 to provide public transport connectivity to unserved rural areas. Under the initial framework, minibuses were permitted to operate on routes up to 20 km in length, with an allowance to overlap up to 4 km on already served routes. A key requirement was that both the starting and ending points of the service had to be located in unserved habitations. In 1998, the state had around 6,700[20] minibuses operating in rural areas. However, by 2024, this number had declined to 2,900 due to operational challenges. The most significant constraint was the fare structure (₹2 - ₹4), which remained unchanged since 1997, making operations financially unsustainable. As a result, many operators charged a minimum fare of ₹10 and a maximum of ₹30[21] on most routes to recover rising operational costs.

Recognising the need to revitalise the scheme, the Tamil Nadu government introduced major reforms in 2025. The revised fare structure set a minimum fare of ₹4 for the first 4 km and capped the maximum fare at ₹10 for a 20 km[22] journey, replacing the outdated 2000-era fares of ₹2 for the first 2 km and ₹4.75 for 20 km[23]. Additionally, the permissible route length was increased from 20 km to 25 km, with the condition that at least 65% of the route must pass through unserved areas. This allows operators to ply up to 8.75 km on routes already served by STUs or other stage carriages, double the earlier limit of 4 km.

6.1.1. Fare Structures and Operational Sustainability in Tamil Nadu Minibus Services

While the revisions in the scheme aim to improve financial viability for operators, the revised fare structure continues to strain sustainability. Even after the 2025 fare revision, the minimum fare for minibuses in Tamil Nadu remains less than 40% of the minimum stage carriage fare in Kerala (refer to Table 6 below). This disparity becomes more striking when compared to cost trends. A study by CPPR on the operational costs of bus services in Kerala found that for private stage carriages, fuel accounts for 56.6%[24] of the total operational cost. In the past 25 years, while the diesel prices rose from ₹16 to ₹94, an increase of six times, the minimum minibus fare in Tamil Nadu increased only from ₹2 to ₹4, despite a significant escalation in operating costs. This widening gap between rising operational costs and stagnant fare levels places substantial financial pressure on operators and threatens the long-term viability of rural minibus services.

[20] *https://www.newindianexpress.com/states/tamil-nadu/2025/Jan/28/tn-government-raises-mini-bus-fares-after-24-years-operators-oppose-the-hike-as-insufficient*

[21] *https://www.newindianexpress.com/states/tamil-nadu/2024/Feb/20/tn-budget-2024-major-overhaul-as-mini-buses-to-traverse-suburban-areas*

[22] *https://drive.google.com/drive/u/0/folders/1EC_084c_QskAYGTwp9bMMCW2lWHWwC8p*

[23] *https://www.newindianexpress.com/states/tamil-nadu/2025/Jan/28/tn-government-raises-mini-bus-fares-after-24-years-operators-oppose-the-hike-as-insufficient*

[24] *https://www.cppr.in/reports-and-papers/ksrtc-private-stage-carriages-and-aitp-buses*

Table 6: Fare Structure of Tamil Nadu Mini Bus and Kerala Stage Carriages

Stages	Tamil Nadu minibus	Kerala Stage carriage buses[25]
2 km	₹4	₹10
4 km	₹4	₹12
6 km	₹5	₹14
8 km	₹6	₹16
10 km	₹7	₹18
12 km	₹8	₹20
14 km	₹9	₹22
16 km	₹9	₹24
18 km	₹9	₹26
20 km	₹10	₹28

Source: Author

6.2 Mukyamantri Gram Parivahan Yojana - Bihar

To strengthen connectivity to remote and under-served rural villages, the Government of Bihar introduced the Mukhyamantri Gram Parivahan Yojana (MGPY) in 2018. The scheme provides capital subsidies for purchasing small passenger vehicles to operate transport services linking villages with block-level offices and other service centres. Targeted specifically at rural residents belonging to Scheduled Castes, Scheduled Tribes, and Extremely Backward Classes, the scheme aims both to improve rural passenger transport and to generate employment opportunities for unemployed youth and women from weaker socio-economic groups. Beneficiaries are eligible for a subsidy of up to ₹1 lakh or 50% of the vehicle cost, whichever is lower, for vehicles with a seating capacity of 4–10. For e-rickshaws, a 50% subsidy on the purchase price, capped at ₹70,000, is provided. During the COVID-19 period, the scheme was expanded to include ambulances, with a 50% subsidy on vehicle costs up to a maximum of ₹2 lakh[26], recognising the urgent need for medical transport in rural areas.

Under the scheme, five beneficiaries are selected from each Gram Panchayat through an evaluation process that prioritises candidates with higher educational qualifications. As of 2024-25, out of the 57,551 vehicles targeted under the scheme, 45,000 had been sanctioned subsidies[27], demonstrating significant uptake and the program's growing role in enhancing rural mobility and livelihoods.

[25] *https://mvd.kerala.gov.in/sites/default/files/Downloads/Stage%20Carriage%20Fare%20Revision_.pdf*
[26] *https://state.bihar.gov.in/cache/16/Smart%20City/Mukhyamantri%20Gram%20Parivahan%20Yojana/9613-7-8-24.pdf*
[27] *https://state.bihar.gov.in/cache/16/Smart%20City/Mukhyamantri%20Gram%20Parivahan%20Yojana/9613-7-8-24.pdf*

6.3 Mukhyamantri Prakhand Parivahan Yojana - Bihar

In 2024, the Government of Bihar introduced the Mukhyamantri Prakhand Parivahan Yojana (MPPY), parallel to MGPY (2018), to further strengthen connectivity between remote Block and Village Panchayats and their respective district headquarters. The initiative aims to expand rural transport services while promoting entrepreneurship among Scheduled Castes, Scheduled Tribes, and Extremely Backward Classes by providing financial assistance for the purchase of buses. Under the scheme, seven eligible applicants from each Block Panchayat area will receive a subsidy of ₹5 lakh to acquire a bus[28] and operate passenger transport services in underserved regions. Priority is accorded to applicants proposing to run minibus services connecting Block Panchayats with district headquarters, thereby addressing critical mobility gaps for rural residents.

6.4 Swarn Jayanti Gram Swarojgar (Parivahan) Yojna - Himachal Pradesh

Himachal Pradesh is heavily dependent on the road-based transport system due to its hilly terrain. While the state has expanded road connectivity to remote villages, the public transport facility has remained largely limited to Himachal Road Transport Corporation (HRTC) buses. On many rural and low-demand roads, passenger occupancy was consistently low, and HRTC faced substantial losses[29] when operating 42-seater buses. Recognising the inefficiency of continuing large buses in these areas, the State Government introduced the Swarn Jayanti Gram Swarojgar (Parivahan) Yojna (SJGSPY) in 2021[30], welcoming private participation in rural transport provision.

Under the scheme, unemployed youth are encouraged to operate smaller buses (up to 18 seats) by providing stage carriage route permits at reduced taxation, thereby promoting rural transport entrepreneurship. The Special Road Tax payable under the scheme is only 25% of the tax otherwise assessed. The State Transport Department identifies and advertises eligible routes, on which operators may apply for permits. The scheme aims to enhance the rural transportation facilities in the state by creating a more financially sustainable rural mobility ecosystem.

6.5 Mukhyamantri Bus Sewa (LAccMI) - Odisha

Following the failure of the Biju Goan Gadi Yojana[31] (2014), which focused on improving the transport scheduled area[32], the Government of Odisha introduced the LAccMI scheme[33] in 2023, later renamed Mukhyamantri Bus Sewa. The primary objective of the scheme is to ensure reliable transport connectivity to rural communities, thereby improving access to essential services and enhancing the socioeconomic well-being of rural residents. Under the scheme, non-AC midi buses connect Gram Panchayats with respective block headquarters. In contrast, AC midi buses operate between Block Panchayats and District headquarters, with services provided through a Public-Private Partnership (PPP) under the Gross Cost Contract (GCC) model.

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[28] *https://state.bihar.gov.in/cache/16/Smart%20City/Mukhyamantri%20Gram%20Parivahan%20Yojana/8803-23-11-23.pdf*

[29] *https://rajpatrahimachal.nic.in/OPENFILE1.aspx?ID=182%2FGAZETTE%2F2021-31%2F12%2F2021+&etype=SPECIAL#:~:text=JAYANTI%20GRAM%20SWAROJGAR%20(PARIVAHAN)%20YOJNA%20(SJGSPY)%E2%80%9D.,the%20State%20of%20Himachal%20Pradesh.*

[30] *http://himachalpr.gov.in/PressReleaseSideMenu.aspx?Type=1&Data=28*

[31] *https://cag.gov.in/uploads/download_audit_report/2021/C&AG's%20AR%20(Rev%20Sect%20&%20Eco%20Sect)%202018-19%20(English)-060685826bd5df5.93547855.pdf*

[32] *https://odishatransport.gov.in/content/BGGY/7*

[33] *https://ct.odisha.gov.in/sites/default/files/2023-12/231205_Final%20Operational%20Guidelines%20on%20LAccMI%20Ver%201.0_1800Hrs_1.pdf*

Odisha Road Transport Corporation (OSRTC) serves as the nodal agency for monitoring and evaluating the services provided under the scheme. The corporation is also responsible for implementing and maintaining the Intelligent Transport Management System (ITMS) to support efficient scheduling, tracking, and service optimisation. Despite these institutional arrangements, the scheme reported operational losses of ₹374 crore[34] within its first year, raising concerns about the long-term financial viability of providing heavily subsidised (refer to Table 7 below) rural bus services under the current operational and cost-sharing model.

Table 7: Bus Fare Under the Mukhyamantri Bus Sewa Scheme

Distance Slab	Bus fare for non-AC buses	Bus fare for AC buses
0 - 10 km	₹5	₹10
11 - 20 km	₹10	₹20
21 - 40 km	₹15	₹40
41 - 60 km	₹25	₹60
61 - 80 km	₹30	₹80

Source: Operational Guidelines for LAccMI Scheme Implementation in Odisha

[34] *https://www.newindianexpress.com/states/odisha/2024/Aug/23/odisha-government-sustains-rs-374-crore-loss-in-laccmi-scheme*

7 WAY FORWARD

The study makes it evident that rural mobility initiatives in India have remained road-centric. While substantial investments are channelled into building road networks, the rural communities continue to face limited access to reliable public transport services. As the Central Government prepares to launch a multi-sectoral "Rural Prosperity and Resilience" program[35] aimed at expanding economic opportunities for women, strengthening youth-led enterprises, modernising agricultural systems, and improving the livelihood prospects of landless households, the importance of rural mobility becomes even more critical. Enhanced transportation is not merely a supporting infrastructure; it is an enabling condition for achieving these broader development goals. Without a dependable transportation facility, rural women cannot access markets or services, youth cannot connect to emerging economic opportunities, farmers cannot fully benefit from productivity, and landless families remain cut off from diversified livelihood opportunities.

Given that State Transport Undertakings (STUs) are already struggling with significant financial losses, especially on low-demand rural routes, there is an urgent need to rethink how rural transport services are financed and structured. In this context, the financing and community-based operational model demonstrated under AGEY offers valuable insights: small, well-targeted investments can simultaneously support meaningful livelihood generation and strengthen rural mobility, providing a more sustainable pathway for inclusive rural development.

Rural mobility, unlike urban mobility, operates in a low-demand environment where rigid, high-capacity services struggle to remain sustainable. Relying on conventional stage carriage permits, typically designed for larger buses, reduces both financial sustainability and operational flexibility. High operating costs, combined with subsidised fare structures, affect the sustainability of the services. For instance, although Tamil Nadu's official minimum fare for minibuses is ₹4, operators had to charge around ₹10 in practice to cover rising operational expenses. Conversely, keeping fares artificially low through subsidies, as seen in Odisha, leads to substantial fiscal losses for the state. Even with targeted investments from states like Bihar and Himachal Pradesh, the sustainability of conventional stage carriage services in low-demand rural areas remains uncertain.

A more sustainable approach is to promote flexible, small-vehicle-based rural mobility models that can dynamically adapt to fluctuating demand. Vehicles such as autorickshaws or compact vans, if permitted to legally operate both shared services during peak hours and contract-based services during off-peak periods, can optimise resource use while meeting diverse mobility needs (CPPR 2024). This dual-service model offers several advantages[36]:

- Greater demand responsiveness by allowing operators to switch between shared and individual services based on time-of-day travel patterns, and
- Improved utilisation of vehicles, reducing downtime and enhancing economic viability for operators.

To enable such models, states should leverage the regulatory flexibility granted under Section 67 of the Motor Vehicles Act (2019 Amendment)[37] to design dedicated permit categories for small rural vehicles, such as e-rickshaws, autorickshaws, and compact vans. These permits should explicitly

[35] *https://www.indiabudget.gov.in/doc/budget_speech.pdf*

[36] *https://www.cppr.in/wp-content/uploads/2024/03/A-comprehensive-exploration-of-Shared-Auto-Services-in-Kochi.pdf*

[37] *Regulatory Aspects of Shared IPT - Comparative study South Indian states*

allow shared boarding and alighting along designated routes, removing the limitations of contract carriage permits that legally prohibit shared services. At the same time, they should avoid the rigid operational requirements of stage carriage permits, which constrain service flexibility and increase compliance costs. A new shared-service permit category tailored to rural contexts would enable operators to provide dynamic, demand-responsive services (shared during peak hours and contract/on-hire during off-peak hours), improving both financial viability and availability of rural mobility services.

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