

ROLE OF NON-FARM SECTOR IN RURAL DEVELOPMENT

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ABSTRACT

The economy of rural areas in India is predominantly based on agriculture and other activities related to agriculture sector. Hence an overwhelming majority of rural population is mainly depending on agriculture sector both for its employment and livelihood. At the same time various non-agricultural activities are also playing an important role in providing the opportunities of employment and incomes to the labour force belonging to both farming and non-farming households. Though, the nature of employment as available either in agricultural or non-agricultural activities is measured for a shorter duration.

It is universally accepted that when an excessive pressure of population leads to the subsequent addition to labour force, the agricultural sector alone is neither in a position to create additional productive employment opportunities nor it can provide sufficient income to sustain the livelihood of the rural households. More, expressly, even in agriculturally prosperous and high growth regions the potentials for further development of agriculture seems to be tapering off so that the future impetus for development of rural economy has to come from an expanding base of rural non-farm activities. In fact, it has also been observed by the studies undertaken in the recent past that even bringing improvement in the productivity of crops so as to enhance rapid growth of agriculture is unlikely to employ entire labour force at reasonable level of productivity and incomes. In this sense, initiating for developing a comprehensive planning approach towards the promotion and expansion of potential non-farm activities in rural areas could be effective measure for addressing the emerging problems of unemployment, poverty and out-migration of rural labour force to a certain extent.

INTRODUCTION

The economy of rural areas in India is predominantly based on agriculture and other activities related to agriculture sector. Hence, an overwhelming majority of rural population is mainly depending on agriculture sector both for its employment and livelihood. At the same time various non-agricultural activities are also playing an important role in providing

the opportunities of employment and incomes to the labour force belonging to both farming and non-farming households. Though, the nature of employment as available either in agricultural or non-agricultural activities is measured for a shorter duration. As per 1981 Census, nearly fifth of the rural workforce (main workers) were reported to be employed in non-agricultural pursuits. And, the National Sample Survey (NSS) estimates that in 1978-79, in terms of their usual status, nearly 20 per cent of male workers and around 12 per cent of female workers in rural India are employed in non-agricultural activities.

The rural non-farm economic sector comprises of wide ranging activities which are directly or indirectly associated to and supporting to various agricultural and non-agricultural related economic activities, excluding activities related to the agricultural production, performed in rural areas. The activities related to animal husbandry, fishing and hunting, forestry and logging form the part of agriculture sector, are commonly included in non-farm sector. Other rural non-farm economic activities consist of wide ranging various traditional and modern manufacturing activities, mining and quarrying, construction, trading, transport storage and communication, hoteling and those are rendering community and personal services.

However, it is very surprising that a very little, in fact, almost negligible attention was devoted in terms of realizing the contribution of non-farm sectors in providing employment and incomes to rural households and thus in the overall development perspective of rural areas in most of the developing countries including India, till late 1960s. This situation was partly emerged due to the excessive preoccupation of most development economists with the two sector model which viewed developing countries having economic structure, i.e., a traditional agriculture sector and a modern industrial sector. Under this model it was expected that modern industrial sector will have the capacity to absorb the rural surplus labours successfully and the agriculture sector would bear the major brunt of growth. Moreover, the dual economic model looked at the traditional sector, including the rural non-farm sector, as a static and isolated; its contribution to the development of modern economy was considered to be inconsequential.

In most developing countries, the drawback in the real operation of dual sector approach was well visualised in terms of its adverse terms of trade, raising the problems of unemployment in rural areas, high incidence of out-migration of rural labour force into urban areas in search of employment and the avenues of incomes, raising concentration of population in towns/cities, resulting unprecedently increasing rate of urbanisation, inequalities in the pattern of income distribution across the regions, between rural and urban areas and even within rural areas among different segments of households.

It was during the period of late seventies the significance of rural non-farm activities was well realized in view of addressing the increasing problems of unemployment and poverty situation in most developing countries. Of late, it has universally been recognized that in a situation of unprecedently increasing volume of population and its sizeable addition to labour force on one hand and increasing fragmentation of land holdings resulting decreasing availability of arable land for cultivation with the farming households on the other, the agriculture sector alone is expected would hardly be in a position to provide gainful employment opportunities to the increasing level of rural labor force and to sustain the livelihood of the rural households. Even in high growth regions, the potential for further development in agriculture so as to create additional employment opportunities seems to be

tapering off. In fact a relatively rapid growth of agriculture is unlikely to employ the entire rural labour force at reasonable level of productivity and incomes. Also, even in a situation of bringing appropriate technological advancement in agriculture sector the rural labour force cannot be employed fully in agricultural activities in the land scarce countries considering into account the limited capability of agriculture sector in providing gainful employment to increasing rural labour force and sustainable income to the farming households it would be necessary to initiate for developing a long term planning approach towards the development of various potential non-farm economic activities. In this his context the present exercise is expected would be an instrumental measure not only for creating of farm employment and raising the level of income for rural households particularly small and marginal farmers and landless labor force within the rural areas itself but it will equally be a greater initiative for bringing reduction in the rate of rural-urban migration of population to a certain extent.

Contribution in the Rural Economy

The non-farm sector is performing an important role in the overall economy of the state in term of both providing employment opportunity to different categories of skilled and unskilled labour force and contributing in the incomes of both farm and non-farm households.. In fact, the contribution of non-farm sector has been consistently increasing in the creation of additional employment and the generation of income in different geographical locations over the years due to decreasing man-land ratio and an overall decline in the net cultivated land area, beside a considerable decline in per capita net domestic production being originated from agriculture related activities. The consequences of these all-adverse performances of farming economies have universally been well recognized in terms of a significant decline in the concentration of workforce in agriculture and allied activities and its subsequent shift in non-farm sector during the recent past.

However, the contribution of various components of non-farm sector in general and its manufacturing segment in particular in the process of overall development, especially in terms of creating employment and the generation of income, has been realized at much below the level of its actual expectations in different areas. This is largely due to inadequate initiatives undertaken for the exploitation of various advantages and niche based opportunities that are available in favour of developing variety of non-farm activities in different locations of the state under the past-development plans. Besides, several fundamental problems as experienced in terms of lacking improvements in the production technologies, accessibility to the facilities of road transports and required infrastructures, continuing concentration towards the production of limited numbers of commodities based on fulfilling only the local demands for last several centuries, lacking development in the quality and designs of products and related features were also been equally responsible factors behind the slow growth of a numbers of non-farm activities and its lesser extent of contribution in the rural economy of the state.

It can be obviously seen that almost the rural households, especially in hilly and mountainous areas of the state, are obtaining a sizeable amount of income from other than agricultural activities, either through engaging its family workforce in different non-farm occupations within rural areas itself or motivating them to migrate outside rural areas in nearby towns so as to supplement in the incomes of the households through sending

remittances. The real situation which presently emerging is that although almost the households are engaged in the agricultural activities therefore the farming is emphasized as the prime occupation of the workforce of almost the households in rural areas of the state. But the non-agricultural activities are seen providing significantly much higher amount of income as compared to income originated from agricultural activities in the total incomes of the households.

Distribution of Income

A review of the pattern of income distribution among the households representing different geographical locations presented in Table 1. There are significant differences in both per household and per capita income distribution between the farm and non-farm households and also, between the rural households of different locations. The per household income is estimated to be Rs. 18482, and it varied highest from Rs.19.91 thousand to lowest at Rs.17.30 thousand between the households located in middle and low hill areas respectively. The PCI accounted for Rs.3519, which again stands relatively higher in middle hill areas as compared to high and low hill areas. Also, the per household as well as per capita income of non-farm households is estimated to be significantly much higher than the case of farm households in each of geographical locations. This is mainly due to the obvious fact that, first, the farming households are deriving income from only two sources namely; farm sector and as remittances from the migrants family workforce while the non-farming households are noted deriving a sizeable amount of earnings from the various categories of non-farm activities, besides from agricultural activities and through remittances from the migrant family members. Also, the proportion of workforce engaged in performing different economic activities in rural areas was revealed rather higher among the non-farm households as compared to farm households, though a marginal difference in favor of latter groups of households was revealed in the proportion of migrants to total workforce.

Table 1. Pattern of Income Distribution among Farm and Non-Farm Households

Income group (Rs.)	Farm				Non Farm				Total			
	High	Middle	Low	Total	High	Middle	Low	Total	High	Middle	Low	Total
<10000	209	367	212	788	61	37	27	125	270	404	239	913
	42.48	43.59	27.60	37.49	12.32	8.98	6.31	9.36	27.36	32.22	19.98	26.51
10000-2000	182	257	375	814	297	234	260	791	479	491	635	1605
	36.99	30.52	48.83	38.73	60.00	56.80	60.75	59.25	48.53	39.15	53.09	46.70
20000-30000	78	75	117	270	80	63	83	226	158	138	200	496
	15.85	8.91	15.23	12.84	16.16	15.29	19.39	16.93	16.01	11.00	16.72	14.43
30000-40000	8	77	17	102	19	28	24	71	27	105	41	173
	1.63	9.14	2.21	4.85	3.84	6.80	5.61	5.32	2.74	8.37	3.43	5.03
40000-50000	4	65	36	105	13	14	10	37	17	79	46	142
	0.81	7.72	4.69	5.00	2.63	3.40	2.33	21.77	1.72	6.30	3.85	4.13
50000+	11	1	11	23	25	36	24	85	36	37	35	108
	2.24	0.12	1.42	1.09	5.05	8.74	5.61	6.37	3.65	2.95	2.92	3.14
Total	792	842	786	2102	495	412	428	1335	1254	1196	987	3437
	100.0	100.00	100.0	100.0	100.0	100.00	100.0	100.0	100.0	100.0	100.0	100.0

Table 1. Pattern of Income Distribution among Farm and Non-Farm Households(Contd..)

Average Income (Rs.) per Household	16380	18122	13165	15093	19800	23569	24726	22542	18095	19912	17302	18482
Per capita income Rs.	3316	3571	2447	2085	3708	4494	4386	4170	3521	3881	3162	3519

Note: Figures in parentheses indicate the percentages to row totals. The figures are of 1990-1991 year

Distribution of households according to different income groups revealed that a highest proportions of the households of over 73 per cent, comprising 76 per cent among the farm households and 64 per cent among the non-farm households are confined in lowest income group range of below Rs.2000. And only little over than 7 per cent of the households are in the highest income group of above Rs.4, 000 though, the proportion of households in respective income range are relatively higher in middle hill areas and in particular among the non-farm households. Moreover, it appears that the inequality in the pattern of income distribution among the households is largely prevailing between different locations and also between the households those are engaged in farm and non-farm activities. But the non-farm households are better placed as compared to farm households in terms of their economic situation is concerned and the extent of inequalities emerging in the pattern of income distribution among the households in different locations.

Household Income by Source

Further in Table 2 we have estimated the per households average net amount of income as derived by them from different farm and non-farm activities and from other sources, such as remittances from the migrants family members and the income received in the form of pension by the retired family members. The farm households are seen deriving certain amount of income from only the limited sources such as farming activities, pension and remittances from migrant family members. However, the sources of income of non-farm households are significantly much higher than the farm households. The working family members of non-farm households do engage in numbers of non-farm activities in the capacity of self-employed as well as wage paid casual workers, besides working in farming activities while the working family members of farm households only concentrate in the activities of own farms rather than to join in non-farm activities even during the off season of the agricultural operations. In fact, they prefer to migrate outside for seeking employment rather than to participate in locally available wage-paid employment, even the earning and the status of occupations available in rural areas are comparatively better than as are available at the places of migration, partly because of a largely developed inferiority complexes among themselves against the joining of certain categories of wage-paid employment in rural areas and partly due to the fact that most of the rural non-farm activities have been traditionally performed by only a particular social groups of households for the past several generations.

The income of a household consisted of the earnings summed over the diverse sources of employment plus rent payment received, if any, for leasing out land and other assets plus all transfer payments (e.g. pensions, gifts and remittances received). The amount of income derived by the households as remittances from migrant workforce and as pension by the retired family members in favour of services they rendered in the past could be included as a part of non-farm income. Since, each of the migrant workforce those are contributing to the household incomes through remittances are employed in urban areas, largely in defense and Government services, and the retired personal those are receiving pension were earlier mostly migrants and were working with the defense and Government Services. Practically the amount of pension, which they are currently deriving, is the outcome of services they rendered for non-farm sector. In this manner the income earned through pension and remittances is the income derived from urban non-farm sector and thus, this income could also be treated as a part of non-farm income.

The per household annual average amount of income in the accounted for rs.18.48 thousand. And the economic condition of households located in middle hill areas seems relatively more sound as compared to those located in high and low hill areas. The actual amount of income being generated from agricultural and its associated activities is appeared relatively much less as compared to non-farm sector in each of the geographical locations. Per household income from farm sector is estimated to be Rs.6016 as against Rs. 12376 from non-farm sector and it varied largely among the rural areas of different geographical locations.

Contribution of Non-farm Income

Since every household is possessing at least some cultivated land. As a result, each of the households in Gujarat is engaged in different agricultural operations and is generating at least some amounts of income from it, Hence, the income estimated for farm sector is the combined income of both farm and non-farm households. The contribution of income originated from non-farm sector in the total income derived from different sources accounted for around 76 per cent though it varied largely among different locations. Since in the proceeding analysis the non-farm activities were found highly concentrated in rural areas of high hills followed by low hills and at lowest level in middle hills. We further find that the contribution of income generated from the non-farm sector is more or less originated at a similar pattern as revealed in terms of the concentration of non-farm activities among different geographical locations. The proportion of income derived from farm sector is, however, significantly at highest level in rural areas of low hill areas as compared to middle and high hill areas, though its share follows at much lower level than the case of non-farm sector in each of the geographical locations. The share of earnings that the household deriving in the form of pension of their family members and as remittances from the migrant workforce has also been noted very high in different geographical locations. However, the combined contribution of pension and remittances in the total income generated in rural areas of middle hill areas is found fairly higher (42 per cent) as compared to high (36 per cent) and low (22 per cent) hill areas.

Table 2. Percentage Share of Farm and Non-farm Sectors in the Total Income

Sr. No.	Source of Income	High Hills	Middle Hills	Low Hills	All Areas
A.	Farm Sector	23.01	29.86	45.53	33.04
	Shops Construction Labour	5.09 7.06	2.77 4.16	3.10 3.47	3.53 4.75
3. 4. 5.	Manufacturing Transport Services	14.18 3.79 10.38	8.67 4.87 6.90	13.66 2.24 10.22	11.84 3.71 8.98
6.	(a) Others Pension	24.35	27.33	16.35	22.91
	(b) Remittances	12.09	15.45	5.42	11.24
	Non-farm Sector	76.99	70.14	54.46	66.96
	Per thousand				
	Income (Rs.)	18095	19912	17302	18482
		(100.00)	(100.00)	(100.00)	(100.00)

Note: Figures in parentheses indicate the percentages to row totals. The figures are of 1990-1991 year.

The manufacturing activities are noted as the most important components of non-farm sector in terms of the generation of the size of income and its share in the total income originated from different sources. The share of income generated from manufacturing activities is estimated to be around 12 per cent, though it varied marginally among different locations. The service sector employment is seen contributing about 9 per cent income in the total income of the sample areas. The combined contribution of different rural non-farm activities in the overall income consisted at 33 per cent which is almost similar to that of farm sector, and the income derived as pension and remittances from the migrants.

Considering into account the fact that the amount of income received by the rural households as remittances from migrant workforce and as pension in favour of the service rendered by the rural workforce in urban areas, is the form of income generated by rural workforce from urban areas, the amount of income originated from these two sources should undoubtedly be considered as the transfer of non-farm income from urban to rural areas. In this sense, it could be attributed that the contribution of income generated from rural non-farm sectors and urban modern economies (non-farm sector) in the total rural income, is more or less, at similar proportions but it varied among different geographical locations. The contribution of urban earnings to rural income is visualized highest in the rural areas of middle hills as compared to remaining two areas. Irrespective of the number of rural workforce participating in different non-farm activities in urban areas and the proportions of them remitting a part of their earning to their households in rural areas, the rural workforce employed either in rural or urban non-farm sector is seen contributing almost equal proportion of income in the rural areas. To sum up, although, the domination of farm sector in the rural economy can be well visualized in the sense that each of the rural households are engaged in agricultural operations and this sector is contributing at least some amount of incomes to all of them.

However, the contribution of non-farm sector can also be not over sided in the process of rural development. Since various non-farm activities are employing a very high proportion of rural workforce, even more than the cases of farm-sector in some of the locations, and are contributing significantly much higher percentage of income as compared to farm sector in the rural areas of different geographical locations of the state.

Impact of Farm and Non-farm Income on the Household Economy

We further attempted to examine that to what extent the farm and rural non-farm activities in one hand and the other sources of incomes i.e. earnings through pension and remittances, are contributing in the overall income of farm, and non-farm households. It seems that the income derived through pension and as remittances from migrant-family members together is the major source of income of the farming households in general and especially in the households located in high and middle hill areas. Since in the farm households, the contribution of income generated through pensions and remittances together is estimated to be significantly much higher than the farm sector; it is reported as higher as 69 per cent and 63 per cent for the farming households which are situated in high and middle hill areas respectively. However the contribution of income generated from farm sector is noted to be significant much higher than the case of income received as remittances and pension in the farming households particularly of those are located in low hill areas. Over and above, the farming households are highly depending upon the income derived as pension and remittances. It is also clear that the farming households are more likely preferring to motivate its workforce for migration outside villages in search of remunerative employment opportunities rather than to motivate them to engage in rural non-farm activities during the period of off season of agricultural operations.

The rural non-farm activities are playing a very important role in terms of the contribution of income in a large number of households in the rural areas of different locations. Since, the share of non-farm income in the total income of households generated from different sources is accounted for 69.24 per cent, though the level and extent of its contribution is found varied among different geographical locations. The share of non-farm in the income of households located in high altitude areas is as higher as 73.87 per cent but it narrowed at 70.2H per cent for middle hill areas and reaches at the lowest level at 64.91 per cent for low hill areas. The contribution of farm-sector in the income of non-farm households is estimated to he only around 18 per cent and it is more or less at similar proportion for the households of different geographical locations. The amount of income generated through remittances and in the form of pension together is contributing only 12.77 per cent, in the income of non-farm households, though it varied largely for the households of different geographical locations, being highest in low hill areas (17 percent) followed by 11 per cent in middle and 9 per cent in high hill areas.

Largely existing inequalities in the pattern of the distribution of cultivated land among the households seems to be highly reducing the share of farm sectors in the total income of households among those are located in different geographical locations even among those of the same location. But the availability of limited available land for cultivation among the households is compelling to its workforce to participate in different non-farm employment and generate income to contribute for maintaining the livings of its households. However, the households owing relatively larger size of holdings, are even not in a position to meet

their minimum food and other household requirements, from the farms. Therefore they are forcing to its surplus workforce to migrate outside rural areas for seeking employment in urban areas rather than to engage in rural non-farm economies.

Contribution of Non-farm Income

Further an attempt has been carried out to examine the pattern of contribution of different non-farm activities in the overall income as being generated from rural non-farm sector in different geographically locations. Annually, on an average a non-farm household is generating around Rs.15.6 thousand from engaging its family workforce in performing different non-farm activities within the rural areas, though it is marginally varying from lowest at Rs.14.53 thousand in highest at Rs.16.59 thousand for the households located in high and middle hill areas respectively.

The manufacturing activities are indicated to the most dominating components of non-farm sector in each of the geographical locations in term of its percentage share in the overall income of the households, which they are generating, from different non-farm employment. Since the manufacturing activities are contributing around 36 per cent of income in the overall non-farm income of the households; though its share is follows at highest level in the rural areas of low hills (41.80) per cent) followed by high hills (35.20 per cent) and lowest at 31.68 per cent in middle hill areas.

CONCLUSION

It is universally accepted that when an excessive pressure of population leads to the subsequent addition to labour force, the agricultural sector alone is neither in a position to create additional productive employment opportunities nor it can provide sufficient income to sustain the livelihood of the rural households. More, expressly, even in agriculturally prosperous and high growth regions the potentials for further development of agriculture seems to be tapering off so that the future impetus for development of rural economy has to come from an expanding base of rural non-farm activities. In fact, it has also been observed by the studies undertaken in the recent past that even bringing improvement in the productivity of crops so as to enhance rapid growth of agriculture is unlikely to employ entire labour force at reasonable level of productivity and incomes. In this sense, initiating for developing a comprehensive planning approach towards the promotion and expansion of potential non-farm activities in rural areas could be effective measure for addressing the emerging problems of unemployment, poverty and out-migration of rural labour force to a certain extent.

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