



Role of Non Farm Occupation in Transforming Rural India

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ABSTRACT

There are as many as six-lakh villages where about 70 per cent of the population of India lives. Agriculture is the mainstay occupation of India and also said as the backbone of Indian Economy. Agricultural sector is, by itself, incapable of creating additional opportunities in the wake of increasing population. The impetus for achieving sustained development in rural areas has to pivot around expanding the base of non-farm activities. Such a comprehensive planning approach can be evolved it could provide the solution to the problems of rural areas such as poverty, unemployment and out-migration of the rural workforce. This paper shows the influence of non-farm occupation in the rural development. Non-farm sector help in various ways for the growth of rural economy by providing Big-Push to come out from the Vicious Circle of Poverty. It has direct effect on the farm sector and has other spread effects too like reducing disguised unemployment, raising standard of living, income generation and slow rural-urban agglomeration. There are various schemes being initiated by the Government of India for the promotion of non-farm activities. Non-farm sector also faces some obstacle in the path of its growth like illiteracy, less capital, no role of local bodies, unskilled labourers.

KEYWORDS : Non-Farm, Rural, Activities

INTRODUCTION

Rural residents across the developing world earn a large share of their income—35–50 percent from non-farm activities. The farm and non-farm sectors are the two components of the rural economy and have been changing in structure through diversification of activities. It led to increase in employment and income generation. The rural non-farm sector (RNFS) comprises all non-agricultural activities: mining and quarrying, household and non-household manufacturing, processing, repair, construction, trade and commerce, transport and other services in villages and rural towns undertaken by enterprises varying in size from household own-account enterprises to factories. Non-farm occupation has been registering increase in its employment growth from 1972-73 to 2004-05. In the non-farm sector, employment of male workers is increasing more sharply than female workers. Though, agricultural sector has played a very significant role for generation of rural employment in the Asia and Pacific region. Its contribution to the overall economy has greatly reduced in the recent past (Asian Productivity Organization, 2004). Therefore, development of various non-farm-activities can be exploited as a potent stimulator for further economic growth offering rural communities better employment prospects on a sustainable basis. For example, Eapen (1994,1995) in his extensive research in Kerala suggests that a high degree commercialization of agriculture, strong rural-urban linkages, declining land to man ratios, increase in the proportion of marginal landholdings, overall rural prosperity, the flow of remittances to rural areas and the growing level of literacy have played important parts in growth of the RNFE in the state. Between 1999-2000 and 2004-05, rural non-farm employment increased by 16 million by principal status, of which 8 million (nearly 50 percent) was in the form of self employment, 5 million as casual employment, and three million as regular employment (Himanshu, 2011)

TABLE 1: Distribution of Major Non-Agricultural Establishments in Rural India

S.No.	Distribution of enterprises in Rural India	Percentage
1.	Retail trade	39
2.	Manufacturing	26
3.	Community, social and personal services	8
4.	Education	5
5.	Transport, storage	4
6.	Hotels and Restaurant	4
7.	Retail estate, renting and business services	2
8.	Health and social work	2
9.	Public Administration, Defence and Social Security	2
10.	Post and tele-communication	2
11.	Wholesale Trade	2
12.	Sale, motor – repair	1
13.	Financial – intermediation	1
14.	Construction	1
15.	Electrical gas and water supply	0.2
16.	Mining and Quarrying	0.03
17.	Other Activities	0.01

Sources : Economic census All-India Report (1998; 2005)

Non-farm sector is no doubt developing now a days and youths are attracted more towards non-farm sector as compared to farm sector. The distribution of major non-farm sector enterprises in rural India is being revealed in Table 1. This table shows the scenario that the highest percentage is being shared by Retail Trade (39%) followed by manufacturing (26%), community, social and social services (8%) and lowest percentage being shared by other activities (0.01%). Education registers (5%) and Transport, storage Retail estate, Hotels and Restaurant registers (4%). Special focus should be given by the government for increasing the percentage of education as it can act like a catalyst for transforming rural India. Less share is being shared by renting and business services, Health and social work, Public Administration, Defence and Social Security, Post and tele-communication Wholesale Trade which is about (2%). Lowest percentage is being shared by other activities i.e. (0.01%) followed by electrical gas and water supply (0.2%) where as mining and quarrying registers 0.3%.

Such percentage clearly shows the growth of non-farm activities and move on from farm sector to non-farm sector. The need of the hour is to develop non-farm sectors which are at infant stage like other activities, financial intermediation, construction, mining and quarrying, sale maintenance and motor repair etc.

It is significant that organic manufacturing is mostly village resource-based and with favorable infrastructures for manufacturing in the rural sector, organic manufacturing industries can be attracted. Non farm sector can play a magical role in transforming rural India. In the Lewis theory of unlimited supply of labour, Lewis explains that there is unlimited supply of labour in agriculture sector and labourers should be mobilized to capitalist sector so that chronic disguised unemployment in the farm sector can be controlled. Non-farm sector can solve the problem of disguised unemployment where marginal productivity of labour is zero (MPI = 0). During 2007-08 the percentage of agro-male and agro female involved in farm activities are 66.5 and 83.5 whereas non-agro male and non-ago female accounts for the percentage of 33.5 and 16.5 for the same year. By studying the data of period 1977-78, the percentage of agro-male and agro female involved in farm activities are 80.7 and 88.1 whereas non-agro male and non-ago female accounts for the percentage of 19.3 and 11.9 for the same year (NSS Reports no: 531 on Employment and Unemployment situation in India 2007-2008). By comparing the two period's i.e. 2007-08 and 1977-78 we draw our conclusion that there is increase in percentage of non-farm activities than farm activities and females are engaged more in farm activities than non-farm activities whereas inverse is true for male workers. In the states of Himachal Pradesh, the North east, West Bengal and Tamil Nadu Non-farm income shares are highest which account for more than 45 per cent of total income (more than 50 per cent in Himachal Pradesh and the Northeast). Conversely, in the states of Gujarat, Madhya Pradesh, Andhra Pradesh, Maharashtra and Karnataka the share of income ac-

cruing from non-farm Source is below 25 per cent (and below 20 per cent in Maharashtra). Therefore, the need for diversification from farm to non-farm sector in those states to enhance livelihood security in India is highly indispensable.

REDUCE DISGUISED UNEMPLOYMENT

Non –farm sector reduce the burden on agricultural land and there by land – man ratio also increases. As there is shifting of labor force from farm sector to non- farm sector. Due to such shifting, wages of farm sector also increases and it cause increase in their income level which will ultimately raise their standard of living. It will help farmers to come out from the starving condition and led to improved living conditions. Non –farm sector also help to come out from the vicious circle of poverty. Agriculture development through forward linkages (for agro based industries), backward linkages (through agriculture implements) leads to increase in consumer demand by rural areas for non farm sector goods due to stronger farm sector. So, we can say that non –farm sector pave a way for stronger farm sector.

OVERCOME POVERTY OF RURAL SECTORS

The number of poor people in India, according to the country's Eleventh National Development Plan, amounts to more than 300 million. The country has been successful in reducing the proportion of poor people from about 55 per cent in 1973 to about 27 per cent in 2004. As the people engaged in non –farm sector get higher wages than that of farm sector and hence increase growth of income of poor rural people. Therefore, it will raise income of rural people and thereby reducing income - inequality gap. Poverty is great hindrance in the growth of our economy and non – a farm activity gives our economy a boost or we can say Big–Push to overcome problems related to poverty. Non –farm sector generates employment and income too which in turn increase the effective demand for goods and services .It will transform the rural economy into the desired direction of inclusive growth.

CONTRIBUTION TO FOOD SECURITY AND FOOD ACCESS

Rural non- farm activity participation has effect on both food security as well as food access. When household faces with problem of drought of harvest shortfall then working off-farm will raise the cash to fill the food deficit. A case study from Burkino Faso before and after the 1948 drought depicts various consequences:

- Households with a greater income diversification were able to buy food rather and less effected by drought conditions
- Due to such diversification they tended to have higher overall incomes than those who were not able to supplement their farm incomes with rural non- farm incomes.

This study shows that how non –farm activities will act like a boon during the rainy days. Income generated by such activities influence rural food-security through their various linkages with farming. In a multi-country study which comprise of 13 case studies in Africa, Asia and Latin America, Von Braun and Pandya-Lorch determines that whether malnourished poor households depended more than non-malnourished households on non-farm income sources, and found that the differences were not significant.

SLOW RURAL-URBAN MIGRATION

Due to development of Non-farm sector there is slow Rural –Urban agglomeration. As the rural workers are now getting jobs in their own villages , that's why they slow down moving on to urban areas in search of job. This will cause the development of rural areas and has spread effects too. There are various policies being introduced by government to enhance non – farm activities. Our government is also taking various measures to develop non- farm sector. As non – farm sector is the only source for rural development. This will increase the participation of rural workers in non –farm sector. Rural towns are the main centre for the development of non – farm activities.

CHANGE IN EMPLOYMENT STATUS

Change in the employment status of the workforce towards non-farm activities studied by disaggregating total employment into self-employment, regular employment and casual mode of employment. The percentage of self employed male and female for the year 2004-05 are 15.5 and 9.9 respectively. The percentage of regular employed male and female for the same year is 8.0 and 4.5 and for casually

employed is 9.5 and 3.9 respectively. The period of 2004-05 shows the highest percentage of self employed male and female but male are more engaged in self employed activity than female. It is a great opportunity in the hands of the rural people to get occupation in self employed activity which will in turn give higher productivity and returns depending upon the availability of capital resources. Unni and Raveendran (2007) suggest that non-farm self-employment and non-farm casual wage employment sector grew slightly more rapidly between 1993/4-2004/5 than during the preceding decade. However, they point to evidence of a less rapid growth rate in regular non-farm employment during this period. Visaria et al. (1994) argue that development of urban centres give impetus to non-farm employment in the adjoining rural areas because of low factor (land, labour) prices in the rural areas. These areas however, need to be integrated with the nearest rural town.

GREAT DESIRE FOR NON- FARM JOBS

Men and women dream of branching out of agriculture in Assam. Youth of age 15-25(40%) are being interviewed as a part of study and they want to own business enterprise by the age of 30. The remaining aspires to government job and only 7 % want to engage in farming. Youth of rural areas are curious for the transformation to non – farm jobs so that they can do progress in their life and rural areas also get developed.

POLICIES OF GOVERNMENT FOR UP- GRADATION OF NON-FARM

Small Road and Water Transport Operators Scheme (SR-WTO)

Individuals, groups of individuals including partnership/ proprietary firms and co-operative enterprises would be eligible for assistance under the scheme. The borrowers should be from the “rural areas” and should utilize the vehicle mainly for transportation of rural farm and non-farm products and inputs and passengers from marketing centers.

Enterprise Loan Scheme (ELS)

The refinance schemes which are in force viz. Integrated Loan Scheme (ILS) and Composite Loan Scheme (CLS) have been merged and modified into a new scheme i.e. Enterprise Loan Scheme (ELS). To set up new units as well as for modernization/ renovation/ expansion/diversification of existing units and also for replacement of old and obsolete machinery even if the units were not initially financed by the banks and refinance by National Bank for Agriculture and Rural Development(NABARD).

Soft Loan Assistance Scheme for Margin Money

The objective of the scheme is to provide financial assistance to the prospective entrepreneurs who have the requisite talents and traits of entrepreneurship, but lack necessary monetary resources of their own for setting up units/implementing projects under National Bank for Agriculture and Rural Development (NABARD) refinance schemes for non-farm sector, Self-Employment Scheme for Ex-Servicemen(SEM-FEX) II borrowers and innovative, high tech projects, export oriented units, agro-processing schemes, and agriculture graduates for setting up of Agriclincs and Agribusiness Centre covered under the farm sector.

The other schemes launched by government of India for the promotion of non –farm sector are:

- For creating entrepreneurship through subsidized loans Integrated Rural Development Programme(IRDP), Swarnajayanti Gram Swarojgar Yojana(SGSY), Prime Minister Rozgar Yojana(PMRY).
- Schemes to provide skills: Training Rural Youth for Self Employment(TRYSEM), ITIs.
- Schemes to strengthen the gender component: Development of Women and Children in Rural Area (DWCRA), RMK.
- Self-employment schemes have now been merged as SGSY, which is the latest avatar of IRDP.
- Wage-employment (JRY, EAS, Food for Work, SJRY) on rural works program to achieve the twin objective of creation of rural infrastructure and generation of additional income for the rural poor, particularly during the agricultural lean season. The assets so created (roads, culverts) can boost the marketing of rural products, thus indirectly helping the non-farm production and incomes.

- There are schemes for the specific groups of industry, such as Khadi, handlooms, and handicrafts.

These are the some of the programmes being initiated by the Government of India for the growth of non- farm sector.

NEED OF THE HOUR FOR THE SUCCESS OF TRANSFORMATION OF RURAL INDIA

• EDUCATION

Most of the people of villages are illiterate and are unskilled lab our. The foremost work that is the need of the hour is to provide education to rural people. This will increase their efficiency and the quality of the product is also high as they now become skilled lab our. Education increases the ability to manage the business, process relevant information and to adapt to changing demand patterns. Education also generates aspirations to explore the wider world outside the farm sector for a better quality of life. No doubt Government had introduced lots of schemes for education but not implemented in a better way like Mid-day meal in schools, Adult education schemes etc. There should be the compulsion of education for rural people and spread of education for the various non –farm activities. Media can also help for providing information of non- farm activities and their profits. The schemes launched by Government should be advertised in a proper way so that rural people are able to about their benefits.

• INFRASTRUCTURE

It can be called as the base structure for the development of rural non- farm sector. In India, rural areas haven't proper access of roads, electrification, telecommunication etc. Lack of infrastructure had weaken non- farm sector. In this context, there are suggestions that the Rural Infrastructure Development Fund (RIDF) may be used more liberally in making investments in projects other than irrigation as well. The existing RIDF disbursements across states are highly skewed so that for generally prosperous states the share in total disbursement is higher. A better regional distribution requires relatively easy conditions for disbursement of rural credit under RIDF. More recently, government has launched the Bharat Nirman Programme precisely to strengthen the rural infrastructure of the country. To achieve a sustained growth rate of 8 – 9 %, the investment rate has to be stepped up from the current level of 24 percent to nearly 35% over the next decade, with investment directed at the rural sector (Planning Commission, 2000).

• CREDIT FACILITIES

Rural sector to generate resources and their enterprises can be easily established. Private sectors can also help for providing them credit facility like Non – Governmental Organizations. The benefit of such facilities should be directly reached to rural people and there is no mismanagement in it. It will strengthen the position of non- farm sector.

• ROLE OF LOCAL BODIES

Local bodies can also play a great role in the proper functioning of non- farm sector. Government should give powers to the local bodies like Panchayats to supervise the working of non –farm sector. Government should also give some resources to the local bodies for financing non- farm sector. Local bodies should give report to the Government about the non- farm activities.

- Women empowerment can also help to increase non-farm activities. As we see earlier that women are engaged less in form activities due to various restrictions. Education should be spread in the villages about women empowerment so that the productivity can be increased.

is facing the problem of capital deficiency. There should be expansion of credit facilities so that they are able to expand their non- farm activities. It will help them

CONCLUSION

During the period 1972-73 to 2004-05, the total number of workers in rural India expanded more in the non-farm sector than the farm sector. Over the next few decades, accelerating investment and productivity growth, and maintaining income parity in agriculture will require much accelerated technical change, further diversification into high valued crops, continued growth of irrigation, and further diversification of farmers to the non-farm sector. However, the rural non-farm sector has become much more dynamic than the farming sector, both in terms of GDP growth and employment generation. Between 1983-2004 rural non-farms GDP has grown at a rate of 7.1 percent, more than a percentage point faster than non-farm GDP, and 4.5 percent faster than agricultural GDP. The study finally discusses broad strategies to increase rural non-farm employment in the country. The policy makers aiming to alleviate poverty should continue to explore options for promoting the non-farm sector. This study suggests that efforts should focus on the promotion of non-farm opportunities that do not impose barriers to, entry. These efforts can be expected not only to directly raise the income levels of the poor who gain access to such jobs. They are also likely to contribute to poverty reduction by raising the wages received by those who remain employed as agricultural laborers. Government agencies can play a major role for the promotion of non –farm activities and should also remove the hindrances that come in the growth of these activities.

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