



## OVERVIEW OF THE NON-FARM SECTOR AND RURAL DEVELOPMENT IN INDIA

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### ABSTRACT

Non-Farm Sector includes all economic activities like household and non-household manufacturing, handicrafts, processing, repairs, construction, mining and quarrying, transport, trade, communication, community and personal services etc. in rural areas. These activities in rural areas are very important in providing additional income to households. As per government statistics (1998) more than 81.9 percent of rural enterprises were non-agricultural in nature which includes wide range of activities. Nearly 40 million persons are working in this sector of which 74 percent are males. Rural industrialization could reduce, if not stop, skill drain from the countryside if sufficiently lucrative alternatives for employment are provided. Rural industrialization will also have a significant spin-off for agricultural development.

**KEYWORDS** : Non-Farm Sector, Rural industries and Economic Growth.

### 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.

### Contribution in the Rural Economy:

The non-farm sector is performing an important role in the overall economy of the state in terms 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.

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

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 be 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.

### Growth in Other Important Sectors:

Despite a large number of government schemes, it appears that they have had little impact on the growth of the non-farm sector, which seems to be more dependent on either the growth in the agricultural sector that provides backward production and consumption linkages as well as forward linkages through processing of agricultural commodities, or on the general growth in the economy that opens up new markets for rural skills and crafts. We discuss some of these constraints of sectoral policies and suggest action that needs to be taken.

### Urbanization and Globalization:

It is now an accepted fact that economic development which advances with industrialization and industrialization cannot be achieved without a simultaneous process of urbanization. With industrialization there emerge new urban centers on the one hand and expansion of the ones already in existence. Cities and towns are growing in both number and size. Improved means of transport and communication are bringing villages more and more nearer to the

urban centers. This process of urbanization is accelerated with the advent of globalization. The living pattern of the people is changing, which is reflected in the change in demand for agricultural products. Also with changes in the demand pattern, the crop pattern also changes; the relative importance of cereals and non-cereal crops is change.

#### **Interdependence of Farm and Non-Farm Sectors:**

Though the linkage between the farm and non-farm sectors have existed from the age of barter system, but with technological advancement this linkage is getting stronger and multidimensional. Agriculture plays an important role in promoting the growth and diversification of the non-farm sector in the rural areas as it uses more inputs like modern agricultural implements and chemical fertilizers. On the other hand agriculture supplies its output to the agro-processing industries also there may be a possibility of re-investment of the profit in one sector into the other sector. The inter-linkage between the farm and non-farm sector becomes important as the agricultural growth promotes growth and employment opportunities in the non-farm sector in the rural economy.

These are aggregated into 17 sectors, using the common scheme of sector classification. The aggregated first 7 seven sectors which comprise the farm sector are 1) food crops, 2) cash crops, 3) plantations, 4) other crops, 5) animal husbandry, 6) logging and 7) fishing. The next 8 sectors are industrial sectors which are 8) agro-industry I, 9) agro-industry II, 10) fertilizer, 11) pesticides, 12) petroleum, 13) electricity, gas & water supply, 14) agricultural implements and 15) other manufacturing. The remaining 2 sectors comprise the service sector which contains 16) transport and 17) other services. Our aggregation is obviously purposive. Our interest is to examine quantitatively the inter-linkage between the farm and non-farm sector

#### **The Policy Recommendations:**

It has been a well-recognized fact that the scope of a large scale industrialization and widespread diversification of economy in Uttaranchal has been restricted by its limited and environmentally sensitive resource base, prevalence of highly fragile ecosystem, the thin spread of useable resources across difficult and inaccessible terrain, deficient infrastructure, inaccessibility to markets and modern inputs and technology and insufficient entrepreneurship capability and risk bearing capacity among the local people and several related problems. Also, the development potentials of farming economy are basically constrained by limited availability of arable land; which by itself is decreasing due to increasing landslides, soil erosion and increasing urbanization, depletion of various natural resources as required for sustaining agricultural production, degrading of the quality of land due to increasing water scarcity for irrigation and the lacking capability of land to sustain the use of improved agricultural practices. In this manner, the expansion of potential non-farm activities especially those based on locally available resources has been visualized as an important alternative option in order to address the emerging problems of unemployment and poverty situation and to sustain the livelihood of rural households in the state.

#### **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 can it 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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