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NON-FARM SECTOR AS A CATALYST FOR RURAL EMPLOYMENT AND INCOME GENERATION (WITH SPECIAL REFERENCE TO ANDHRA PRADESH STATE)

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ABSTRACT

'The prosperity of India lies in the prosperity of villages" ..... Mahatma Gandhi
This paper analyzes the role of non-farm sector in the rural areas in creation of. employment opportunities and income generation to rural labour. Majority of population depending on primary sector in India and engaged in farm activities. So, pressure on land should be reduced by giving priority to non-farm activities, then this sector plays crucial role in reducing unemployment, poverty and enhances development activities in rural areas.

INTRODUCTION

The importance to NonFarming Sector Activities as alternatives to provide employment to rural labourers in India arises from the situation where Agriculture and allied activities do not provide adequate employment opportunities to rural workers, in spite of a high rate of economic growth. The declining share of agricultural sector in the GDP and the stable employment rate of agriculture at 54 percent , are indicators to the fact that the Government proclaiming to be the supporter of any Program meant for rural poor and working with full vigor to alleviate Poverty in the Rural Sector for overall improvement in the economy cannot afford to be indifferent to the issue of growth of NFS which is an alternative avenue for one million people getting displaced from agriculture annually and its impact on the Rural economy of India.

The National Sample Survey (NSS) estimates that in 2013-14 in terms of their usual status, nearly 38 per cent of male workers and around 21 per cent of female workers in rural areas 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. Rural non-farm economic activities consist of wide ranging various traditional and modern manufacturing activities, mining and quarrying, construction, trading, transport storage and communication, hotels, weaving, brick making, potters and those are rendering community and personal services etc. 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

IMPORTANCE OF THE STUDY

Rural Development associated with agricultural development in any earlier version of the rural study currently requires a new approach with the emerging different trend in the sources of income in the rural areas. Sources like wage employment, Self-employment in commerce, manufacturing and services together constituting Non-Farming Sources contribute to the total income of farming and other households in developing countries. There is a close link between the Non-Farming Sector, Economic Growth and Rural Poverty. There is a constant fear of a decline in agricultural contribution affecting adversely the livelihood of the rural households. The rising poverty had already been a factor responsible for accelerating migration of rural people to urban areas. The main issues with the considerable slackening in the agricultural sector seem to be whether and how RNFS should be made to pick up. There is an absolute need on the part of the government for taking measures on an extensive scale considering the plight of agricultural families, low farm income and poor rural standards. Encouragement to the change in the nature of activities of the people could restrict the large exodus of people from rural to urban areas. This in turn could reduce the rural poverty considerably bringing about an overall improvement in the economy.

The study also gains importance because it has been recognized that there is a rising level of income of rural people due to NFSA. It has its short run and long run impact and needless to say its long-term impact on development is one of the essential issues to be given its due recognition. The linkages between Agriculture and NF growth in terms of Scale and magnitude are going to be substantial. There is no doubt that NFS will be the driving force in the future decentralized National economic growth.

OBJECTIVES OF STUDY

The main objectives of the study is to find out the importance and to Answer major questions like:

- What is the contribution of NFS to Real Income?
- Is there scope for enhancing Self Employment opportunities?

- How important is RNFI for different social groups?
- The impact of NFSA and Income on the wellbeing of the rural people

The above-mentioned factors definitely depict situations which can lead to growth of the NFS and expected impact of the same on the rural population. The general situation of the Andhra Pradesh economy shows signs of a change over to more of the NFS activities not only as the only alternative available but a few of the agriculturists interested in supplementing their income also resort to other types of activities. The change has certainly shown the improvement in their level of income and expenditure pattern over a period of time. The links established using proxy variables certainly seem to endorse the conclusions drawn regarding the future of the NFS and the role of the govt. in this regard.

METHODOLOGY

The study covers secondary data relating to Andhra Pradesh rural economy. The secondary data covering a period from 1990 to 2014 have been collected from A.P. Economic Appraisals of the various years, Statistical Handbooks of A.P, Andhra Pradesh Fifth Economic Census Report, and articles from Journals and websites and NSS data. As far as the Rural A.P. economy in India is concerned it happens to possess the second largest number of debtors and the size of land holding being less than a hectare, and lands have also been taken away for special economic zone infrastructure. Further lack of irrigation facilities, non-availability of proper quality seeds, inadequate supply of electricity and still a low literacy level make the State lagging behind a number of other states like Maharashtra and Kerala. The recent times crop failures losses etc., have taken the rural sector to a significant transition to non-farm activities though not very prominent. Against this growing projection of the economy and with a rural population of six percent, it is but quite be fitting to take up the study of the present scenario of the rural economy of A.P. for getting into the details of factors contributing to the growth of Non-Farming Activities in the rural areas of Andhra Pradesh and analyze the trend and impact of such changes on the rural conditions. There is no doubt that such a study could highlight the main aspects to be looked into with their implications for the launching of any programmed to bring about a favorable and positive impact on the substantial reduction of rural poverty which could as well be effectively applied to other states of the economy for an overall improvement.

RESULTS AND DISCUSSION

In India, rural employment has undergone significant changes during the past two and half decades. The share of agriculture in the labour force remained stagnant for a long time, but started declining in mid-1980s and has been declining since then. On the other hand, the share of rural non-farm sector has been increasing, and it now employs nearly one-third of India's rural workforce), which amounts engaging of about 110 million rural people in the nonfarm activities., incorporating National Sample Survey (NSS) data from the 38th, 50th, 61st and 66th rounds, provides a snap shot of the growing importance of non-farm sector in rural employment. At the all- India level, the share of non-farm sector in total workforce has increased consistently over

time, from 19 per cent in 2000-01 to 22 per cent in 2000-01, to about 27 per cent in 2009-10 and further to 32 per cent in 2013-14.

State wise share of non farm sector in Rural employment

State	1990	2000-01	2009-10	2013-14	(CAGR %)		
					1990 to 2000-01	2009 to 2013-14	1990 to 2013-14
Andhra Pradesh	20.0	22.7	28.3	31.3	2.5	2.8	2.7
Assam	21.0	21.3	25.8	29.5	6.3	3.2	4.4
Bihar	15.6	16.9	22.9	33.3	0.2	7.1	4.4
Chhattisgarh	7.0	9.4	13.7	15.1	4.1	3.6	4.1
Gujarat	15.2	20.7	22.8	21.7	6.0	0.9	2.8
Haryana	23.1	28.6	36.0	40.2	0.6	3.9	2.6
Himachal Pradesh	12.9	22.8	30.6	37.1	8.0	4.8	6.0
Jammu & Kashmir	20.3	28.0	36.2	40.3	5.6	10.6	4.1
Jharkhand	18.6	23.9	30.2	45.2	0.2	5.9	3.7
Karnataka	15.7	18.3	19.1	24.3	4.2	1.9	2.8
Kerala	37.2	42.3	58.6	64.3	1.3	3.9	2.9
Madhya Pradesh	11.0	13.8	17.5	17.6	2.0	4.6	3.6
Maharastra	14.3	20.3	20.1	20.6	4.0	1.8	2.7
Odissa	20.9	21.9	31.0	32.4	1.6	3.8	2.8
Punjab	17.8	22.7	33.2	38.2	3.2	3.2	3.3
Rajasthan	13.5	19.2	27.2	36.7	5.8	5.6	5.7
Tamilnadu	25.6	31.3	34.7	36.3	3.8	0.5	1.7
Uttar Pradesh	17.9	20.7	27.4	33.1	3.1	4.2	3.8
Uttarakhand	18.1	34.9	21.8	30.5	1.1	5.4	3.7
West Bengal	26.4	26.9	37.3	43.7	5.5	2.0	3.0
All India	18.6	21.7	27.4	32.1	3.4	3.2	3.4

***Source*:** Authors' estimates based on NSSO unit level data (38th, 50th, 61st and 66th rounds)

A perusal of Table reveals that the non-farm sector has emerged as the sole source of additional employment opportunities in the rural areas. Between 1990 and 2000-01, of the nearly 47 million additional rural jobs created, the majority (6 out of every 10) were in the farm sector. But, this trend was reversed subsequently. Between 2000-01 and 2009-10, the growth in non-farm employment surpassed agriculture when about 50 million new job opportunities were created in

rural areas and 6 out of every 10 new jobs were in the non-farm sector. But in recent years, between 2009-10 and 2013-14, though the total rural employment has declined by 5 million, about 13 million additional rural jobs were created in the non-farm sector. In fact during this period, workforce of nearly 20 million rural people departed the farm sector. The decline in job opportunities in the farm sector may be attributed to several factors including the implementation of schemes like MGNREGS. The decline in the farm employment was likely to be, at least partly, driven by distress in the agricultural sector which prompted households to seek employment more actively in the non-farm sector. The share of non-farm sector in providing employment has been growing across all the states. But, the pace and pattern of rural non-farm employment did exhibit stark regional variations. In 1990, the share of non-farm sector in rural employment varied from 7 per cent in Chhattisgarh to 37 per cent in Kerala. In 1990, the states where more than 20 per cent of the rural workforce was employed in the non-farm sector included West Bengal (26.4%), Tamil Nadu (25.6%), Haryana (23.1%), Assam (21%), Odisha (20.9%), Jammu & Kashmir (20.3%) and Andhra Pradesh (20.0%). In remaining of the states, the share of nonfarm sector in rural employment was less than 20 percent in 1990. The share of non-farm sector in rural employment increased in all the states over time. In 2013-14, about 64 per cent of the rural workforce in Kerala was engaged in the non-farm sector. Also, in majority of states, non-farm sector employed more than one-third of the total rural workforce. It is clear that the process of structural transformation of the rural workforce that was steadily tilting in favour of nonfarm is still continuing. Structural transformation of employment in rural areas was not visible only in a few states like Chhattisgarh (15.1%), Gujarat (21.7%), Karnataka (24.3%), Madhya Pradesh (17.6%) and Maharashtra (20.6%). Besides Kerala, the non-farm sector contributed about two-fifths to the rural employment in West Bengal (43.7%), Jharkhand (45.2%), Jammu & Kashmir (40.3%), Haryana (40.2%), Punjab (38.2%), Rajasthan (36.2%), Tamil Nadu (36.3%), and Himachal Pradesh (37.1%).

A series of investigations using 2009-2014 employment data for 25 Indian states confirmed some well known propositions about employment growth and employment structure and their impact on head count poverty ratios and changes in them.

In India rapid poverty reduction has been associated with certain specific kinds of workforce structural change. By far the most important of these is a proportionate shift of workers out of agriculture and into non-farm employment. A high share of agricultural workers in the state workforce is associated with relatively high poverty ratios, and a low share of agricultural workers with lower poverty ratios. Conversely, a high share of non-agricultural workers in the workforce is associated with low poverty ratios and a low share with high poverty ratios. (The relationships are significant at the 97.5 percent level or better.)

CONCLUSION

Policy measures regarding encouragement to the NFS necessitate proper Understanding of the type of linkages exist between Farming and Non-Farming Sectors. The linkages between the Non-Farming and Farming Sectors seem to be of varied nature. There are a few cases where a

vibrant NFS is emerging without the support of the agricultural sector in generating Employment and providing income and investment sources.

The small-scale industry activities are wide spread but evidences show that the smallest Enterprises are not very productive. In some cases, NFS activities appear to be the last resort sources of income to those who have no access to Agricultural sources.

Studies have also indicated that the growth of Employment in the NFS represents a casual rather than of a permanent Nature. The most disadvantaged individuals are rarely found to be employed in the NFS.

The poor does not seem to be participating directly in the NFS but however the impact on agricultural wage rates will show a considerable positive change and therefore a significant indirect impact on poverty reduction.

With the population in villages growing at a rate of 2 percent, it is essential to create additional employment opportunities by tapping the vast hidden potential in NFS as an alternative to provide employment to rural labourers.

Andhra Pradesh Rural economy has been showing signs of the gradual growth of NFS and the discussions on its importance have been gaining ground since 1970's. Education of women at the village level, agricultural conditions and population densities are usually the main factors attributed to the access to Non-Farm occupations and the growth of these activities seems to have had a positive impact on the living conditions of the rural population. Deprivation and poverty still continue to be the major challenges for the economy. Hence any governmental measure in these directions should be highly supportive to the growth of NFS activities generating income which in turn can help in reducing the rural poverty and improving the living standard of the rural people in a substantial way. The priority should be attached to the removal of barriers of any kind for the people to enter into the NFSA besides improving conditions in the rural areas facilitating more of poor agricultural laborers and jobless people to take up some kind of NFSA for their livelihood. Governmental measures for encouraging NFS in the rural economy could as well take care of the distribution of rural household incomes, problems of incidence of poverty in the rural areas, threat to food security and implications of rural to urban migration.

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