Chapter: 2

Review of Literature

The rural non farm sector received increasing attention of social scientists, researchers and policy makers in each and every developing countries including India. Several studies have been made in this field to describe its nature, composition, determinants and other aspects which directly influence the rural economy to a very large extent. The basis of empirical analysis has to be built on comprehensive review of relevant literature in the area of study. This would assist in deriving intellectual and practical answers to the problem through application of scientific methods and understanding of works done so far.

2.1. NON FARM SECTOR IN THE WORLD CONTEXT:

Hossain (1987) pointed out that 3.7 per cent growth rate in crop production in Bangladesh could absorbed only about a quarter of the increase in labour force during 1980s. Therefore, attention is being paid to the rural non farm activities as an important sector for creating productive employment and income earning opportunities for rural poor and the unemployed persons. In his study he has provided much importance on the expansion of the rural non farm sector.

Yusuf, Shahid (1996) in his study explores the role of non farm sector in the rural economy of Bangladesh in the context of its agricultural development. The farm activity is the basic economic activity of Bangladesh and the country has achieved the present growth due to the development of the farm activity. He has explained that the development of the farm activity accelerates the expansion of the non farm activity. It will be difficult to expand the non farm income if agriculture is stagnant. He said that comparative experience from some of the successful East and Southeast Asian countries and empirical evidence from Bangladesh suggest that investment in transport infrastructure and mechanization of farm-
ing would give the strongest push to agriculture and generate the most potent spread effect. Agriculture growth stimulates the growth of non farm activities through demand and input-output linkages. But in this connection he said that in order to expand the non farm sectors in the rural area linkage effect should come from other sectors too. In this analysis he has provided importance only on the farm sector for the expansion of the non farm sector in the rural economy.

Barkat-e-Khuda (1985) revealed the importance of off farm activities in income and employment generation in rural area of Bangladesh economy. The study shows that off farm activities constitutes a primary source of employment and income of about one quarter of all households and about one-third of the labour force in the study area. The conclusion is that the male workers were spent a higher proportion of time on off farm activities than agricultural activities, while for female workers off farm activities accounted for only about one fifth of their total working time. But both male and female belonging to the landless households spent a higher proportion of their working time on off farm activities than the agricultural activities. The off farm activities are seen to be more prevalent during the agricultural slack seasons. He said that for a country like Bangladesh with acute unemployment and underemployment, increased efforts should be made to create off farm employment opportunities in the rural areas for the landless and near landless people to check increasing rural urban migration, ensure a more balanced rural development and to positive influence the welfare of the rural population.

Varma and Kumar (1996) have examined the structure of employment in Bangladesh’s Non farm sector and its potential to generate sustainable employment. They have compared the employment generation capacity of both the farm and non farm sector. Their findings have shown that the non farm sector has grown its importance during the late
1980s. While the rural non-farm sector is less productive than its urban counterpart, it generates full-time, sustainable employment in small-scale industry. Productivity of a number of activities is higher than the going agricultural wage rate. The household component of the RNF sector still largely consists of low-productive activities, and continues to employ a third of the rural labour force engaged in the sector. The RNF sector has barely begun the process of generating wage employment; future potential for wage employment will depend largely on the expansion of rural industries. Labour market policies have had very little impact on the RNF sector so far, since a large part of the sector consists of household activities, which remain a part of the informal economy. The introduction of a national minimum wage policy may, however, adversely affect the sector by increasing the size of its informal component. With increased actualization of the labour force, Government attempts to improve the rural roads network would improve the efficiency of subcontracting, which would benefit the sector.

Ahmed (1987) has made a comparative analysis between Bangladesh and India in respect of performance of instructional arrangement regarding the development of non-farm sector. He analyzed the performance of the Grameen Bank of Bangladesh and the IRDP (integrated Rural Development Programme) of India. Both these two institutions have been trying for some time past to make a dent in rural poverty by extending credit for non-farm activities. The results of the IRDP have been disappointing while the Grameen Bank has been achieved as a huge success. The study concluded that there is still further scope for expanding the activities of Grameen Bank. The hope that Grameen Bank might prove a panacea for rural poverty is totally misplaced.

Evers, Hans-Dieter (1991) observed that during the past two decade’s off-farm and other non-agricultural employment has increased rapidly in rural Java mainly due to an
expansion of employment in petty trade. After a discussion of various definitions and hypotheses on the growth of off-farm employment and trade the author concluded that the growth in petty trade is not a sign of economic stagnation or agricultural development but rather a crucial step in the transformation of Javanese peasant society and the future development of the Indonesian economy. Author’s conclusion has been supported by results of a large-scale survey on off-farm employment in the district of Jatinom, Central Java. The study shows that Eighty-one per cent of all traders are women, of whom two-thirds are engaged in trade as off-farm employment. But this study has provided importance on the role and prospects of the off-farm activities or petty trades in the rural area which is a partial analysis of non-farm activity.

Pearce, Douglas and Davis, Junior (2000) discussed that the rural non-farm employment in the Balkans (specifically Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Romania) has an important role to play in promoting the transition to a market-led rural economy, and in the reconstruction of the rural areas of the states. The non-farm sector has the potential to absorb excess labour from the agricultural sector and urban-rural migration, contribute to income growth and promote a more equitable distribution of income, and to promote enterprise activities in the rural areas.

Goetz, S.J. and Rupasingha, Anil (2009) have observed that the number of non-farm proprietorships in the US has expanded significantly in the past decades, but this expansion has not occurred evenly over space. They have explained the fact with the help of regression analysis. The analysis reveals that proprietors respond rationally to economic incentives. Parameters have been estimated for the variables measuring collateral, age, ethnic mix, govt. policy, female labour force participation, and natural amenities, each have the expected signs. They have analyzed empirically the major determinants of the growth in
non farm proprietor densities in the US economy.

Gustavo and Daidone (2010) observed the effects within households of an expanding rural non farm sector in Ghana. Their principal observations were whether the growing non farm sector allows for economies of diversification within farms, how it affects the household input demands, its effects on household efficiency. They have explained the intra household linkages between farm and non farm activities. Their study shows that the expansion of rural non farm activities increases the demand for inputs including agricultural land. Finally they have shown that the smaller farms tend to be more efficient, and that rural non farm sector output is helping the farm household to become more efficient, but the latter result is not strong.

Davis Benjamin ed al. (1998) show that rural non farm activities account for 42 per cent of the income of rural households in Africa, 40 per cent in Latin America and 32 per cent in Asia. It is critical to determine how such activities can be promoted, given the importance of non farm income as a mechanism whereby rural households can maintain their livelihoods and as a possible path out of poverty. Particular attention should be paid to ways in which spin off (by-product or sequel) activities in the non farm sector can be promoted in the presence of agricultural growth. Spin-off activities can be emerge from backward and forward production linkages with agriculture, or through expenditure linkages that come with rising agricultural income. In this volume, several case studies of farm and non farm linkages have been presented in which spin-off activities already exist. The purpose of the case studies is to explore the ways in which spin-off activities were promoted and to consider how the activities might be further supported.

Bakar and Jalil (2011) analyzed the impact of non farm sector in rural Kedah (Malaysia) on poverty. Their study finds that non farm income reduces the level, depth and sever-
ity of poverty in Kedah. Non farm income has a greater impact on reducing the severity as opposed to the level and depth poverty in Kedah. They have analyzed the impact of non farm sector on poverty level by using Foster-Greere-Thorbecke (FGT) poverty index (1984).

Stokke.K, Yapa.L.S. and Dias, H.D. (1991) in their study have discussed that there is a growing interest today in the topic of nonfarm activities such as small industries and construction based activities located in rural areas of the Third World. These activities are viewed as a means for alleviating rural poverty and reducing income inequality in poor, densely populated agricultural areas. Their research has explained the significance of the non farm activities as a measure for poverty eradication, particularly in areas with limited agricultural surplus. They have supported their argument by drawing on the general agrarian literature in Sri Lanka and by citing evidence from a statistical analysis of a sample survey of rural consumption patterns conducted in the southern region of the island.

Islam Nurul (1997) has studied that in most of the developing countries, the non farm sector generates income and employment in the rural areas, its share in rural employment or the rural labour force varies from 20 to 50 per cent in most cases. In several countries, its importance is increasing relative to both the urban and rural farm sectors. In addition to its significant contribution to employment and income, the non farm sector provides supplementary income and employment during slack seasons in agriculture. He said that the availability of abundant rural labour is the prime cause of the growth of the non farm sector in the rural area. But increases in rural non farm employment are stimulated by both “push” and “pull” factors. He has explained the significance of the non farm sector in the context of the Bangladeshi economy. He concluded that although the non farm sector plays a very significant role in the rural economy but the its significance needs more empirical research because there are so many questions related with the definition of the non farm sector, rural
area and nature and type of the activities.

2.2. NON FARM SECTOR IN INDIAN CONTEXT:

In the 21st century non farm sector is playing a very significant role. Significance of non farm sector has been highlighted in the works of Tandon (1990), Suresh (2003) and Jha (1992). Tandon in his study has shown that excessive pressure of population on the agricultural land creates the problem of disguised unemployment problem. In order to earn their livelihood the unemployed persons join in the non farm sector, such as construction, manufacturing and various types of service activities in the rural areas. In his study he gives emphasis on the growing employment trend in the RNFS of Utter Pradesh state. Suresh in his study has shown the significance of non farm activity during the off agricultural season. It means that nature-based agriculture is responsible for the growth of non farm activity. Technological change and infrastructural improvement in the rural sector are responsible for the growth of the non farm sector in the villages. This explanation has been provided by Jha in his study.

According to the study of Raja (2002), the most important factor affecting non farm employment was found to be education, low return ability in farm sector, high income prospect in non farm sector, availability of employment opportunity in non farm sector. Monmohan (2001) and Bhatia (2004) in their separate studies have described the growing significance of the non farm sector in the rural economy of India. They compared the data relating to workforce participation in the Non farm sector and comment that during the later part of the 20th century and starting of the 21st century this sector occupies a very significant role in rural diversification and expansion of the job facilities in the rural areas both for men and women labour. In their studies they have given importance of the rural development programmes and introduction of the liberalization policies for the expansion
of the service sector in the rural areas.

Chandrasekher, C.P. (1993) in his study “Agrarian Change and Occupational Diversification – Non agricultural Employment and Rural Development in West Bangle” observed that recent agrarian change in the agricultural system has changed the occupational structure of West Bangle. It means that the agrarian changes have provided a scope for the expansion of non farm activities in the rural economy. It enhances agricultural productivity on one hand and creates additional job opportunities in the non farm sector on the other hand.

Sindhu, H.S and Toor, J.S, (2002) in their study found that in the rural economy different factors have contributed a lot to developed non farm activities in recent times. They coined some important factors such as technological advancement in farm sector, infrastructural development, and expansion of education and training facilities which have accelerated the non farm activities in the rural areas.

Purkayastha, Gautam (2008) in his work has written that in the ‘rice bowl belt’ of Panjab, Haryana and West U.P., agricultural land is increasingly being transferred or sold for non- agricultural purposes. Agriculture no longer seems to be a lucrative job for many prosperous farmers as it was the case three decades back. In this study we get that according to a study of NSSO, 40 percent of the farmers will like to quit farming if they have another option.

The RNFS positioned as a potential sector for absorbing of rural labour in a productive manner. They are often less capital intensive; use less energy and improved inputs and some of them have export potentialities (Raghviah, 2000)

Dev, Mahendra S (2001) in his study said that non farm sector plays a vital role in poverty alleviation and promotion of livelihoods. An increase in rural non farm employ-
ment is one of the main factors responsible for the reduction in poverty in the 1980s. His study was also based on the NSSO data. He provided some statistics regarding the workforce participation rate in the non farm sector. From his study we get that it has been showing an increasing trend regarding employment generation. During the reform period (1993-94 to 1999-2000) the growth rate of employment in rural non farm sector was lower than the pre reform period. He also said that the non farm sector employment was male worker dominated. He suggested that in order to improve the quality of the non farm sector public investment has to be improved.

Bhalla, GS (2007) in his work “Indian Agriculture Since Independence” said that the condition of the farmers is determined by their asset structure, the growth of the economy in general and agriculture in particular, growth of agricultural exports and imports, distribution of gains of growth, incidence of poverty, food security and nutrition situation, availability of farm and non-farm employment. The non agricultural sector in the post liberalization period would determine whether or not agriculture was a net beneficiary of the reform process. Slowing down of growth rates in agriculture has had many serious consequences for the peasantry in the country. One of the serious developments was a notable deceleration in employment growth in the agriculture. On the other hand, the employment growth rate has increased in the non-agricultural sector. But he said that higher growth of employment in the non-agricultural sectors has not been sufficient to compensate for the decline in agricultural employment.

According to Bhalla (1989), the non agricultural sector may develop in rural areas due to certain facilitating forces. These forces may emanate within agriculture or outside it. A sustained rise in farm output and income can act as a prime mover in initiating the development of non agricultural activities in the rural areas. Other forces, such as urbanization and
development of infra structure can also lead to the growth of non agricultural activities. Both forces lead to the shift of rural workers to productive jobs in the rural non farm sector which may be regarded as growth led diversification. In the rural areas there is another type of the growth of non farm activities due to the distress factors. It insists workers to move to unproductive and low paid non farm works. He has identified two types of distress diversifications in which rural non farm activities become residual workforce absorber. The first is the case of supplementary workers who have no main occupation but engaged in some subsidiary work to supplement household income. The second is the case of persons with a main occupation who also engage in a secondary activity.

Jha, Brajesh (2000) in his study has shown that in India, economic opportunities in the non farm sector have increased. His study was also based on the NSSO data. In this study he provided several information regarding workforce participation rate. He also provided explanation regarding agriculture and non farm sector linkage. From his study we get that employment growth in non farm sector is not autonomous; it depends on a host of developmental and demographic factors generally associated with the developmental stage of the region. In his study he provided explanation of the rural non farm sector from gender perspective. Here we get that in all major industrial categories, males dominate by accounting for around 70 percent of rural employment. The bulk of female workers are concentrated in agriculture, manufacturing and community services. He observed that share of females in the total rural employment has increased marginally; though the corresponding share has increased significantly in agriculture, manufacturing and community services.

Modern agricultural growth is based on the strong backward and forward linkages with industry and other non agricultural activities some of which may partly be located in the rural areas themselves (Mallor, 1976) in expansion and development of the non farm
sector in the rural areas depends on the nature of rural diversification. In this regard Mellor (1978) said that technology-led growth in agriculture gives rise to several linkages, which lead to an expansion of employment in the non-farm sector. On the other hand, Acharya and Mitra (2000) in their study have shown that infrastructural facilities and supportive institutions encourage rural non-farm employment. Again Islam (1997) in his study has shown that human resources related factors are also responsible for the growth of the non-farm sector in the rural economy, such as spread of education, training etc.

Punia, Kaur and Punia (1991) reported that agriculture is getting rapidly modernized in our country. Introduction of modern agricultural technology has improved the agricultural productivity on one hand and provided a wider scope to develop some agro based service business in the rural areas, such as selling fertilizers, seeds, agro medicine, instruments and spare parts and other services. It should be noted here that all these service activities can be categorized as non-farm activities which provide employment opportunities to the rural population.

Laha, Sumita (1996) in her study “Impact of Rural to Urban Migration: A Case Study in the Dinajpur District of West Bengal” has shown that in order to earn their livelihood a section of the rural poor migrates from the rural to urban areas. In this migration process from rural to urban center males occupy a predominant role than females. Due to social and family considerations the females could not migrate to the urban centers. In the rural areas and in the poor families women have come forward to engage them in to different productive activities in order to supplement income to their family. They join either in the farm sector or the non-farm sector. In fact the home based non-farm activities are providing the job facilities to the rural poor women in the study area.

Vyas and Mathai (1978) observed that the proportion of workers engaged in agricul-
ture to total workforce has remained virtually unchanged despite all the efforts at diversification of rural occupational structure over the past thirty years in India. This continuing dominance of agriculture in the rural occupational structure can be explained first, by the weak linkages between the agricultural and non-agricultural sectors and, secondly, by the lack of resilience on the part of such village industries as do exist to meet the demands of the more affluent sections of the peasantry. They have examined the prospects for expansion of employment in agriculture and rural industry. Even if there were to be a deliberate 'social' intervention in favour of allocating larger resources to agriculture, the labour absorption capacity of Indian agriculture would be limited; and the path of rapid rural industrialization too is beset with many pitfalls. These problems, and certain deliberate policy decisions - creation of physical and social infrastructures, changes in the present rural credit and pricing policies, etc - that need to be taken to make a dent on rural unemployment.

Jha, S.D. (1992) in his study has explained some issues about female worker in the rural areas. He said that the women of poor families are filing the income gap by breaking the traditional socio-economic and religious barriers. It has become necessary for the families with inadequate income to supplement their requirements through additional earnings. It goes without saying that it is the economic compulsion, more than any other consideration, which motivates women in the rural India to seek employment for wages. In his study he explained that food (except beverages), cotton textile and tobacco (including beverages) work were done by the female workers. It should be noted that all these sectors are the non farm sectors.

Srivastav (2008) in his study have analyzed the status of RNFS and its relationship with poverty reduction and urbanization. The role of RNFS in reducing poverty depends on the type of occupation and the wage rate. His study reveals that the development of
RNFS is much depends on internal (rural/agricultural based) and external urban based demand led growth. In other words, the regions with a certain level of agricultural and industrial development have adequate infrastructure to generate and sustain the demand for non farm goods and services and encourage the development of RNFS. He has made the study in Uttar Pradesh. He has observed that RNFS have developed much after the post reforms period. This is due to the combine effect of many factors such as rise in literacy rate, modernization of agriculture, increased level of urbanization, rural welfare programmes etc.

Ghuman R.S. (2005) in his study has revealed that Census 2001 recorded a substantial shift of rural workforce from agriculture to non-agricultural sectors during 1991-2001, in Punjab. Figures suggest that 60.6 per cent workers in Punjab are now engaged in non-agricultural activities and 46.5 per cent rural workers in Punjab have been absorbed by the non-farm sector. Such a transformation of rural economy of Punjab seems unprecedented in the face of low growth rate of employment in secondary and tertiary sectors during 1991-2001. His paper is based on an empirical study of three villages in three districts of Punjab, however, reveals the wide variations that exist with regard to the proportion of rural non-farm workers between census data and ground realities. According to this study, nearly 16 per cent of the rural workers in Punjab are engaged in the rural non-farm sector as compared to 46.5 per cent recorded by Census 2001.

Sindu, H.S. (2002) stated that agricultural production and crop yields in Punjab have nearly stagnated. Land and water, the two most critical resources on which Punjab's rural economy is built, have sharply deteriorated over time. Profit margins of the farmers have come down drastically. He has argued that there is an urgent need to diversify the state's
agrarian economy not only in the narrow sense of diversification within the crop husbandry sector, but also in its wider sense, i.e., to promote allied agricultural and non-farm activities and agro-processing in rural area. He has explained the significance of the non agricultural activities in the rural development.

Bhattacharya (1998) explained the significance of non agricultural activities in the context of rural to urban migration in India. He revealed that rural-urban migration in India to some of the broad economic changes in the country during the 1970s, when there occurred an occupational shift out of agriculture with the share of agriculture in employment declining and that of non-agriculture increasing. The evidence suggested that the informal sector played an important role in rural-urban migration during that period and that, far from being a passive absorber of labour; it was a dynamic and productive sector, attracting and sustaining labour in its own rights.

Varma and Kumar (1996) in their study have examined the structure of employment in Bangladesh’s rural non farm sector and its potential to generate sustainable employment, especially when compared with employment opportunities in farm sector. Their study concluded that the RNFS in Bangladesh has grown in importance during the late 1980s. It has been contributing a rising share of employment and value added. They have shown that the non farm activities were less productive in the rural areas whereas the same sector has provided gainful employment opportunities in the urban areas and the wage rate was much higher in the sector. Labour market policies have had very little impact on the RNFS so far, since a large part sector consisted of household activities, which remain a part of the informal economy. The introduction of the national minimum wage policy influenced the growth of the sectors. Ahmed, R (1987) attempted to trace the process of growth of non farm sector and transition of farm households and population with identification of those who
would depend primarily on labour markets for a living. He explained that due to low wage and low returns in the small and marginal holdings farmers leave the farm activity and engage in to different types of non farm activities. Similar type of analysis has been provided by another scholar Sen, B (1996). In his study he has explained the potentiality or significance of the non farm sectors in the Bangladeshi economy. This sector has been playing a dynamic role in poverty alleviation and income generation spear in the rural sector.

Ray, S (1994) in his study has shown that the growth of the labour intensive RNFS is seen as the solution to the problem of rural unemployment. Inter sectoral linkages between the farm sector and RNFS are expected to generate the growth, but the inequitable structure of the agrarian economy acts as a constraint. He has explained that land redistribution is a prerequisite for the expansion of the domestic market for labour intensive RNFS and hence for the development of the sector.

According to Ghosh, Nilabja and Mitra, Arup (2010), three important stages of the rural non farm sector transformation have been identified in literature. Africa and South Asia are possibly in the first stage that has been a production or expenditure linkage with agriculture, and no much of a rural-urban link. A tendency towards a greater mix of situations is seen in Latin America where non farm sector includes activity based on linkages with agriculture as well as separate ones, such as tourism, mining and service sector activities. Also, East Asia is in the third stage where urban-rural links are stronger as manifested in terms of more advanced form of business linkages, such as sub-contracting arrangements and labour commuting. Unfortunately, the rural non farm sector in several parts of India is characterized by low productivity and it does not seem to provide a sustainable livelihood.
Chakraborti- Kundu- Nandi (2011) were the view that the rural household owing small plots of land or sharing land ownership rights can diversify to different other localized petty activities over and above basic farming, using the benefits of agricultural growth. Job diversification by the farmer households reduces the pressure on land as agriculture is managed more efficiently.

Vatta and Sidhu (2010) were the view that the rural non farm employment emerged as a protection strategy against sudden income shocks in poor households to save them from falling further deep in to poverty. It helped the richer households in augmenting their incomes.

2.3. NON FARM SECTOR IN REGIONAL CONTEXT:

In order to find out the growing significance of the non farm sector in the entire North Eastern region we may cite the document of the North Eastern Vision 2020 report which states that enhancing rural incomes will also depend on making multiple livelihood opportunities by increasing non agricultural employment based on local strengths and resources, strengthening capital formation in the primary sector and, in the process, harnessing the inherent strengths contained in the rural economies of NER. The region has a huge potential in developing the rural industrial sector because of its large natural resource base and labour force in the plains. The addition of value to products produced locally will increase employment and income generating opportunities. The major rural non farm activities include handicrafts and handlooms, bamboo based activities and processing of dairy product, poultry, fish and other livestock and agro and horticultural products.

According to Chakravorty, B.K. (2006), RNFS has been rapidly emerging as the major source of employment in Nalbari district. The RNFS activities are diverse in nature. They encompass both traditional and non traditional activities. However, the extent of diversity
is related to size of the rural market. In his study he has shown that large majority of the units are economically successful. The recent growth of RNFS in Nalbari is included largely by push factors. In other words, the growth of RNFS is more of a distress phenomenon that a positive event. The growth of RNFS has contributed a significant share of income generation in the rural areas.

According to Sharma, R. (2007), the decline of employment elasticity in agricultural sector accompanied by rapid population growth in Sonitpur district, the rural non farm micro enterprise sector has emerged as a significance source of livelihoods for the rural population in the district. He has shown that many of the rural non farm micro enterprises in the Sonitpur district have developed mainly due to push factors. The sector as a whole contributes substantially to the generation of income and employment in the rural area. The emergence and expansion of micro enterprises in the district is strongly embedded with agricultural sector. A large majority of the RNFS have higher forward or backward linkages with the farm sector. Therefore, the emergence and expansion of RNFS can not be get treated as replacement or substitution of farm sector.

Gogoi (1993) was of the view that two types of direct linkages could be established between agricultural and non agricultural sectors, namely, the backward linkage and the forward linkage. A sector is linked with the other sector, which supplied inputs to it and also which uses its output as their own inputs. Forward linkage of agriculture implies flow of agricultural output to industry as inputs and backward linkage indicates flow of non agricultural output to agriculture as inputs.

National Development Council (1994) its report observed that agriculture and other land based activities will not be able to provide employment to all rural workers at adequate levels of income in the long run. A strategy encouraging shift of labour out of
agricultural is particularly important in the states having more than two thirds of their workforce in agriculture. Available evidence suggests that the share of non farm sector in rural employment has been increasing in recent years and that it is due to the growth of productive unemployment opportunities in this sector.

NABARD (2000-2001) states that there are several direct and indirect benefits accruing to the economy from the development of non farm sector. Non farm activities rely largely on local financial and unexploited natural resources and contribute significantly to reduce rural urban income differences. Industrialization in rural areas could provide inputs for agricultural sector, increase its productivity and add value to agricultural produce through localized processing and turn generate surpluses for investment in agricultural, non agricultural and several social sectors. Further, most of the industries in rural areas are environment friendly.

Barooah (2001) pointed out that due to high growth of population; the pressure for employment generation in Assam is very high. But, due to sluggish growth in Assam’s economy, there has been stagnancy in the development of the organized sector of the state. Therefore, employment generation in organized sector of the state has been declining. Thus in order to utilize the unemployed labour informal sector has to be developed.

Panda (2004) observed that the rural economy of Anunachal Pradesh has experienced a continuous sectoral shift in favour of non farm employment during the period 1971-91. During this period the share of rural industrial sector employment has experienced a modest increase has happened in the non household industrial sector.

Das (2004) suggested that Khadi and Village Industry Board of Mizoram should initiate steps for promoting agro-based and forest based activities to provide employment opportunities in non farming sector during agricultural off season. This will help to check
migration of people from rural to urban centers in search of employment.

Panda (2012) in one of his studies has examines the growth, composition and determinants of the non farm employment in the north-eastern states. He used the NSSO data of different rounds and revealed that the share of rural non farm employment has increased from 18.54 per cent in 1981 to 35 per cent in 2009-10. Share of the rural non farm employment in the northeastern states is higher than the national level. He collected the data from five districts in Assam and Meghalaya. From his study it is clear to us that the participation of the households in non farm activity is significantly influenced by household income from agriculture, access to credit, household poverty and distance from nearest urban center. He came to the conclusion the both developments as well as distress factors are responsible for the growth of the rural non farm employment in the north-eastern states.

Thus the review of literature has provided us different aspects of the rural non farm sector in the world as well as national context. This review shows that there are close linkages between farm and non farm sector. Agricultural growth generates income surpluses, which in turn creates the demand for different goods and services produced by the non farm sector of the economy. Similarly, the development of the non farm sector in the rural areas helps to absorb the agricultural surplus labour. Again the problem of underemployment and insufficiency of income in farm sector can be supplemented by non farm activities in the rural areas.

Various studies relating to rural non farm sector suggest in recent years that the rural socio-economic condition is diversifying away from agriculture to non agricultural set up. Such transformation has been creating alternative source of employment opportunities to the growing labour force in the rural areas.

***
CHAPTER: (3)