Chapter: 7

Summary, Conclusion and Policy Implication

SUMMARY:

7.1. FEATURES OF THE RURAL NON FARM SECTOR IN ASSAM ECONOMY:

The state income of Assam has started to show a rising trend at varying rates during different years. The study reveals the fact that the NSDP at current prices (as on 02-08-2011) has increased from Rs. 47181 cores to Rs. 92496 cores from the period 2004-05 to 2010-11. The study also reveals that NSDP at constant prices (2004-05) has recorded a growth rate of 3.01 percent to 7.35 percent over the previous years from the period 2004-05 to 2010-11.

The growth of the NSDP by industry of origin at the current prices shows that the contribution of the primary (agriculture and allied activity and excluded mining and quarrying) sector has increased from Rs. 1262798 lakh (26.77%) in 2004-2005 to Rs. 2500682 lakh (30.62%) in 2009-2010 while the contribution of the secondary sector has increased from Rs. 1195811 lakh (19.25%) in 2004-2005 to Rs. 1573351 lakh (25.35%) in 2009-10. Again at the constant prices 2004-05, the contribution of the tertiary or service based activities has increased from Rs. 2259466 lakh (47.89%) in 2004-2005 to Rs. 4095067 lakh (50.13%) in 2009-10. Thus the growth of the farm sector has increased at a very slow rate as compared to tertiary sector. It means the significance of the service based activities has increased tremendously in the Assam economy.

The contribution of the farm sector at constant prices has decreased from 26.77 percent (or Rs. 1262798 lakh) to 24.44 percent (or Rs. 1488385 lakh) from the year 2004-05 to 2009-10 while the contribution of the secondary sector has decreased from 25.35 percent (or Rs. 1195811 lakh) to 19.27 percent (or Rs. 1174006 lakh) in the same time.
period. It means the contribution of the farm and manufacturing sectors have decreased significantly during the last six years. The most important fact is that the contribution of the service based activities i.e., tertiary sector has increased from 47.89 percent (or Rs. 2259466 lakh) to 56.29 percent (or Rs. 3428791 lakh) from the year 2004-05 to 2009-10.

There was a gradual increasing trend with some marginal fall in per capita income at current prices. In 1950-51, per capita income at current prices in Assam stood at Rs. 299 as against Rs. 239 for all India. But finally it has reached to Rs. 26242 in 2000-10. It means during last 60 years the per capita income has recorded an 80 fold increase (1950-51 to 2000-10). On the other hand, during the same time period, the per capita income of all India has recorded a 168 fold increase (1950-51 to 2009-10). Thus the growth rate of per capita income of Assam is lower than the all India level.

The rural non farm sector in Assam is large and diverse. In this sector there are different types of traditional productive activities (brass and bell metal, weaving, wood works, bamboo works etc) and are also different types of modern productive activities (food processing, steel trunk making, steel wire net making, oil industry, ice cream making, tiles making, TV repairing, cycle repairing, DTP and computer training center etc).

The percentage of rural persons has registered in non farm sector employment in the rural areas increase from 20.70 per cent in 1983 to 25.7 per cent in 2004-05. On the other hand, in all India level it has registered a growth rate from 18.70 per cent in 1983 to 27.30 per cent in 2004-05. In urban areas, these growth rates are typically very high. In Assam it has registered a growth rate from 92.60 percent in 1983 to 95.2 per cent in 2004-05. In Indian urban persons, it has recorded a growth rate from 85.5 per cent in 1983 to 91.2 per cent in 2004-05.

The agricultural activities continue to be the main working place for rural workers.
It provided employment to 69.6 per cent male and 88.3 per cent female in the rural areas of Assam. On the other hand, agriculture provided employment opportunity to 66.5 per cent rural male and 83.3 per cent rural female in all India.

In non farm sector, trade, hotel and restaurant, and other services are the largest source of non farm employment in rural male section. In 2004-05, the male workforce participation rate in the trade, hotel and restaurant, and other services were 11.6 per cent and 9.2 per cent respectively. But in case of India, trade, hotel and restaurant sector provided largest employment to the rural male workers (8.3 per cent), followed by manufacturing sector (7.9 per cent) in 2004-05. Thus manufacturing sector did not play any significant role in job creation in rural areas in Assam. In the year 2004-05, 30.2 per cent male workers were engaged in non farm sector in Assam against 33.6 per cent in all India level.

In the rural area, in non farm sector the female workforce participation rate was 11.6 per cent in 2004-05 against national rate 16.8 per cent. In non farm sector, manufacturing sector and other services were the largest source of employment and their share were 3.7 per cent and 5.7 per cent respectively. Female workforce participation rate in trade, hotel and restaurant sectors, construction sector and transport sector were 1.2 per cent, 0.8 per cent and 0.2 per cent respectively. But female workforce participation rate in manufacturing sector was very high i.e. 8.4 per cent in all India level. Thus there exists gender discrimination in non farm sector workforce participation rate.

During the last 21 years (from 1983 to 2004-05), the share of agriculture in rural employment has declined by only 4.52 per cent at the aggregate level in Assam. On the other hand, during the same period (from 1983 to 2004-05) the share of the non agricultural sector in rural employment has increased to 4.52 per cent. In the non agricultural employment categories, other services, trade, hotel and restaurant, and manufacturing sec-
tors have occupied an important place. However, there is only a marginal fluctuations in the share in these sectors have been observed during the reference periods.

7.2. BASIC FEATURES OF RURAL NON FARM SECTOR AS GATHER FROM THE FIELD INVESTIGATION:

- A Total of 74 types of non farm activities have been identified in 15 sample villages of Dhubri district with 2060 number of non farm units. Out of 74 types of non farm activities found in the sample villages, 13 activities are manufacturing, 30 activities are trade and commerce, 9 activities are transport and remaining 22 activities are other services.

- Out of 2060 non farm activities identified in the sample villages 216 units (10.49 per cent) belong to manufacturing and processing sub sector, 900 units (43.69 per cent) belong to trade and commerce sub sector, 464 units (22.52 per cent) belong to transport sub sector and 480 units (23.30 per cent) belong to other service sub sector.

- Agomani Development Block ranks first position in terms of concentration of non farm units followed by Mahamaya Development Block and Gauripur Development Block. In Agomani Block concentration of 35.19 per cent non farm units has been observed as against 32.62 per cent in Mahamaya Block and 32.14 per cent in Gauripur Block.

- It is observed that the size of the village and diversity of non farm activities are positively correlated. The coefficient of correlation between them has been found to be 0.50 which is statistically significant. This indicates that broader the market, greater is the scope for more activities to develop.

- Out of 206 sample non farm sector in the sample rural areas, 183 units (88.83 per cent) are own account business while only 23 units (11.17 per cent) are establishment type of business. This signifies that rural non farm sector units in the district are by and large still very small in scale.
Out of 206 units majority of them have been started during 1991-2000. The study observed that 50 per cent of the respondents have been engaging between the years 1991-2000, 36.89 per cent of the respondents are engaged in the non farm activities during 1981-1990, 4.85 per cent of the respondent engaged before 1980 and 8.25 per cent respondent engaged after 2000.

Age wise distribution shows that 43.21 per cent entrepreneurs belong to the age group 31-40 years, 28.16 percent to the age group 41-50 years, 24.27 per cent to the age group below 30 years and only 4.37 per cent to the age group 50 and above years. It means that the young and active group of the society is associated to the non farm activity in the sample villages.

It was observed in this study that 40.29 per cent of the entrepreneurs are primary passed, 24.76 per cent metric passed, 19.90 per cent Higher Secondary passed, 12.14 per cent illiterate and only 2.91 per cent BA passed. It signifies that majority of the entrepreneurs in the district are primary passed.

It is quite possible that the growth of the non farm sector in the district is primarily due to the scarcity of agricultural land. Out of the respondents 206 non farm units 144 (69.90 per cent) have agricultural land below 0.5 hectar and 62 (30.10 per cent) have above 0.5 hectar. This signifies that most of the respondents in non farm activities are suffering from paucity of own land for farming purpose. In that sense, the growth of non farm sector might have been a distress phenomenon.

The study reveals that out of 206 sample respondents, 40.78 per cent have farmer father, 33.50 per cent agricultural labour father, 16.02 per cent have petite trader father and 9.71 per cent have government service men father. Thus the majority of the respondents have their fathers engaged in farm sector (farmer + agricultural labour). It provides us
information that the majority of the respondents did not follow their father’s occupation.

We found earlier that sizable proportions of the non farm activities were established during 1991-2000. A majority of around 86.41 per cent non farm activities are the origin of the present generation which was established by the entrepreneurs themselves. Out of the total sampled of 206 only 5.83 per cent have the origin of father and 6.31 per cent have grandfather and only 1.46 per cent have the origin of friend and relatives. One significant observation is that entire transport sector has the self origin.

7.3. Economic Performance and its Findings:

The study reveals that in almost all sub-sectors of the rural non farm sectors growth is distress induced. Factors like reduced assets base, low wage in the farm sector, non availability of employment in the farm sector etc induced the respondents to join in the non farm activities. In other words these factors push the people to join in the non farm sector. Hence the 48.54 per cent of the entrepreneur’s entry was distress induced or push factor oriented. Contrary 24.27 per cent of the entrepreneur’s entry in the non farm sector was pull factor oriented. In other words, they joined in the non farm sector due to foreseeing business prospects, to invest the surplus farm income, rural infrastructural development etc. Another 24.27 per cent of the entrepreneur’s entry in the non farm sector was caused by both push and pull factor. Only 2.92 per cent entrepreneur’s entry in the non farm sector was caused by the other factors like education, urbanization etc. Thus it signifies that rural non farm sector in Dhubri district is primarily a distress one.

In the field study information have been collected regarding the place of the business. The study shows that majority of the entrepreneurs (58.25 per cent) run their business in own village centers (comprises village markets and weekly village markets “HAT”). On the contrary, 18.93 per cent entrepreneurs run their activity in the urban centers although
they live in the rural areas. Again 12.62 per cent entrepreneurs run their business both in the rural and town areas. Remain 10.19 per cent entrepreneurs run their business in their own house and these activities are basically home based manufacturing sectors like pottery, weaving, bamboo works etc. Thus it signifies that non farm activity based businesses are basically village centric.

The study reveals that 39 per cent of the entrepreneurs perform their sales strategies through the direct traditional sale system in their respective village markets. Similar type of sale strategy has been followed by 09 per cent of the entrepreneurs, but the difference is that they follow it in the near urban markets. Out of 23 manufacturing respondents 22 per cent of the entrepreneur sale their product/services directly from their own home to the customers. And remaining 30 per cent follow the strategy where traders collect the product/services from their home. None of the entrepreneurs sale their produces in the outside of the district or state. Thus it signifies that in the villages most of the non farm units follow the traditional sales strategies, i.e, sale the product in the village markets.

Here an attempt has been made from the information recorded in the field study relating to inputs sources of 23 sample manufacturing sub sector. The 23 manufacturing sample units have further been sub categorized in to sub sectors. The study reveals that major portion of the manufacturing sector collect their inputs from non farm and other primary sector.

From the study it is clear to us that about 8.25 per cent of the total sample units of rural non farm sector have strong forward linkages with farm sector and 23.30 per cent of the total sample units of rural non farm sectors have strong backward linkage with farm sector. As there exists linkages between farm and non farm sector of Dhubri district, the growth of the non farm sector can not be considered in isolation from the farm sector.
7.4. CONSTRAINTS ON THE GROWTH OF THE RURAL NON FARM SECTOR:

Form the study it is clear to us that the poor economic condition of the entrepreneurs stands in the way of the development of the various activities performed by them. All the entrepreneurs have disclosed the fact that if the government provides them financial assistance then they can run their activity more satisfactorily and successfully.

It is observed that a large number of the non farm units did not receive institutional finance either for starting their activity or for running their business. This indicates that rural non farm sector in the district is not aided by the support of financial institutions.

The non farm entrepreneurs in the remote areas are facing the shortages of basic infrastructure such as smooth road connectivity and electricity supply. Both these two infrastructures are very much essential for the sound operation of non farm enterprises.

7.5. ECONOMIC CONTRIBUTIONS OF THE RURAL NON FARM SECTOR IN DHUBRI DISTRICT ECONOMY:

The study shows that the non farm sector plays a significant role in employment generation prospect in the rural areas. The total employment generated by rural non farm sector in the district rural economy for 2011 was 2,30,321 and full time employment generated in the same year was 2,00,968. However, the manufacturing sub sector of the rural non farm sector of the district is more promising sector as its average employment generation capacity is relatively high. It is followed by other services and trade and commerce sub-sectors.

The study reveals that gross value added share of the manufacturing and processing sector during 2010-11 stands at 23.42 per cent followed by other services and transport sub sector, shares are 14.30 and 12.14 per cent respectively. One important observation is that the share of the trade and commerce sub sector is very high (50.14 per cent) as com-
pare to other sub sectors. Thus the trade and commerce sub sector plays a very significant role in the rural non farm activity in Dhubri district.

In the field study, it is observed that out of 206 rural non farm enterprises, 195 units (95 percent) are male headed and remaining 11 units (5 per cent) are female headed. However, when we look at the category wise breakup, we find that entrepreneurs in transport sector and other services are male dominated while around 22 percent of the manufacturing and processing sub-sector are female dominated. Thus the female participation rate in the rural non farm sector is very low as compared to male section. The basic reasons are the orthodox outlook of the rural traditional society, social backwardness of the women and lack of consciousness among the poor and illiterate women.

7.6. CONCLUSIONS:

It is clear from the study that the rural non farm sector has been rapidly emerging as a major source of employment in the rural economy of Assam and especially in Dhubri district. During the last 21 years (from 1983 to 2004-05), the share of agriculture in rural employment has declined by only 4.52 per cent at the aggregate level in Assam. On the other hand, during the same period (from 1983 to 2004-05) the share of the non agricultural sector in rural employment has increased to 4.52 per cent. In the non agricultural employment categories, other services, trade, hotel and restaurant, and manufacturing sectors have occupied an important place. However, there is only a marginal fluctuations in the share in these sectors have been observed during the reference periods.

The emergence and expansion of the rural non farm sector can not as yet be treated as replacement or substitution of the farm sector. This is because the study reveals the facts that there exists either forward or backward linkage between non farm and farm activities in the study area. Hence, both the two sectors are essential to develop through the imple-
mentation of proper planning. In fact, the simultaneous development of the two sectors will
give a boost to the rural development programmes.

- The rural non farm activities are diverse in nature. They contain both traditional and
  non traditional activities. However, the extent of diversity is related to the size of the rural
  market and size of population. The rural non farm activities in Dhubri district are still by
  and large small scale in nature and local market oriented. Inspite of that, large majority of
  these units are economically successful.

- The non farm sector plays a significant role in employment generation prospect in
  the rural areas. However, the manufacturing sub sector of the rural non farm sector of the
  district is more promising sector as its average employment generation capacity is rela-
  tively high. It is followed by other services and trade and commerce sub-sectors.

- The recent growth of the rural non farm sectors is distress induced. Factors like
  reduced assets base, low wage in the farm sector, non availability of employment in the
  farm sector etc induced the respondents to join in the non farm activities. In other words
  these factors push the people to join in the non farm sector. Similarly one section of the
  entrepreneur joined in the non farm sector due to foreseeing business prospects, to invest
  the surplus farm income, rural infrastructural development etc. Thus the growth of the
  rural non farm employment is also caused by the pull factor.

7.7. SUGGESTIONS AND POLICY IMPLICATIONS:

On the basis of the study and conclusions drawn thereof we may provide the following
main policy suggestions

- To sustain the growth of the rural non farm employment, government intervention
  is urgently required for improving the rural infrastructure such as development and expan-
  sion of the rural roads and power supply.
🌟 Professional training programmes should be arranged in the rural areas for the rural entrepreneurs. These training programmes may be organized through the government agencies as well as the non governmental agencies.

🌟 The government should expand the institutional credit facilities in the rural areas because most of the entrepreneurs are suffering from the acute shortage of investible funds for their businesses.

🌟 The government should take adequate policy measures for the development of the farm sector in the rural areas because development of the farm activities will accelerate the development of the non farm based activities.

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