CHAPTER SEVEN

SUMMARY OF FINDINGS, CONCLUSIONS AND POLICY IMPLICATIONS

This concluding chapter is aimed at inferring the final conclusions of the study and drawing its policy implications. But, before venturing into that task, it would perhaps be convenient to have a recapitulation of the findings presented in the earlier chapters. Hence, this chapter begins with a summary of principal findings followed by the sections on conclusion and policy implications.

7.1 PRINCIPAL FINDINGS:

7.1.1 Rural Non Farm Sector in the Context of Assam:

- The primary sector of State economy registered a negative growth of 0.10 per cent during 2004-05 in real terms while the construction sector in the State registered a positive growth of 24.42 per cent, which resulted a growth of 11.85 per cent in secondary sectors during the period 2004-05. The tertiary
sector registered a positive growth of 8.53 per cent during the same period.

- The rural non farm sector in Assam has expanded rapidly in the post 1991 period. In 1991, rural non farm workers in Assam constituted 18.6 per cent of total rural main workers, as against 17.7 per cent in India. But, by 2001, 45.5 per cent of rural main workers (including workers engaged in allied activities) were engaged in RNFS of the State as against 42.2 per cent in India.

- Out of 5.73 lakh non-agricultural enterprises in the State, about 67.51 per cent were located in rural areas and remaining 32.49 per cent in urban areas in 1998.

- There were 4.04 lakh rural enterprises in the State in 1998. Out of 4.04 lakh rural enterprises 3.87 lakh enterprises constituting 95.80 per cent were related to non-agricultural activities. Number of workers engaged in rural non-agricultural enterprises stood at 15.02 lakh. But, by 2005, number of enterprises in rural areas of the State has increased to 633102 out of which 94.5 per cent are non-agricultural enterprises and only 5.5 per cent are agricultural enterprises. Number of workers engaged in rural enterprises of the State has also increased to 1791628. The average annual growth rates of rural enterprises and employment in
the State during 1998-2005 have been found to be 6.62 per cent and 2.08 per cent respectively.

- In 1994, women constituted only one tenth of RNFS workforce in Assam as against 14.8 per cent for all India. But in 1998, proportion of female employment to total rural non-agricultural employment in the State stood at 14.69 per cent and in urban areas, female accounted for 10.33 per cent of the total employment in non-agricultural enterprises. Thus, gender bias in the employment pattern is somewhat less in rural enterprises than in urban ones.

- In terms of number of units, trade and commerce, other services and manufacturing and processing are the three major activity groups in Assam. A total of 1.53 lakh rural non-agricultural own account enterprises constituting 61.10 per cent were engaged in trading in 1998.

- The district wise distribution of rural non-agricultural enterprises reveals that Nagaon had the largest number of non-agricultural enterprises in 1998 followed by Kamrup district. In case of own account non-agricultural enterprises, Kamrup district accounted for largest percentage share of nearly 12.6 per cent followed by Nagaon district with 8.5 per cent. In respect of non-agricultural establishments as well,
rank of Kamrup and Nagaon districts of Assam remained unaltered.

- There is a strong sub-sector specific clustering in the RNFS of Assam. Major plantation processing clusters have been in upper Assam districts because of their agricultural prosperity and manufacture of wood based products is concentrated in Karbi Anglong and Silchar, sericulture in Kamrup, fiber processing in lower Assam districts and coir and bamboo handicrafts in Nalbari area.

- There exist strong linkage of RNFS of the State with other sectors of the economy.

- It is observed that 75.02 per cent rural non-agricultural enterprises of the State were with premises and 10.82 per cent were using energy of any kind in their operation in 1998.

- Predominance of own account enterprises is observed in RNFS of the State. In 1998, 64.23 per cent of the total rural non-agricultural enterprises of the State belonged to this category.

- The rural non farm sector in Assam is large and diverse. It encompasses traditional activities like weaving and pottery, which have been practiced from time immemorial, as well as modern activities like repairing of electronic goods, computer training and DTP houses, beauty parlours or manufacturing
of agricultural machinery. The rural non farm activities may be village enterprises or based in semi urban centres and cottage or factory type enterprises.

- The diversity of rural non farm activities tend to increase with the size of the village. This indicates that broader the market, greater is the scope for more activities to flourish.

7.1.2 RNFS in Nalbari District (The Macro Picture)

- As in the entire State, the RNFS in Nalbari district has also expanded rapidly in the post 1991 period. In 1991, 26.27 per cent of the total rural main workers of Nalbari district were engaged in rural non-farm activities as against 18.6 per cent in Assam. But, by 2001, 49.9 per cent of total rural main workers of the district were broadly involved in rural non farm activities as against 45.5 per cent in the State.

- In 1998, a total of 14540 and 51359 persons were engaged in own account enterprises and establishments in rural areas of Nalbari district respectively. Proportions of female workers in own account enterprises and establishments in the district were found to be in order of 14.04 per cent and 9.42 per cent respectively.

- The service sector of the district accounted for 46.7 per cent of RNFS workers of Nalbari district in 1991 followed by
trading activities (22.0) and manufacturing and processing (15.4).

- Rural people of the district are engaged in a number of non farm activities in rural areas itself varying in size and nature since time immemorial. Various modern activities are also coming up in the RNFS of Nalbari district, RNFS products of the district like cane and bamboo handicrafts have gathered reputation all over the State.

- Number of commercial energy using units in RNFS of the district has been found to be extremely low. Other than mechanised transport, a few units in the manufacturing and processing and service sectors are presently using commercial energy in their operation.

7.1.3 Basic Features of RNFS as Gathered From the Field Investigation:

- A total of 113 types of non farm activities have been identified in 14 sample villages of Nalbari district with 2183 non farm units. Out of 113 types of non farm activities found in sample villages, 23 activities are manufacturing and processing related, 41 activities trade and commerce related, 3 manual transport, 6 mechanized transport related and remaining 40 belong to other services category.
• Out of 2183 non farm units identified in sample villages 356 units constituting 16.31 per cent belong to manufacturing and processing sub sector of RNFS, 1147 units constituting 52.54 per cent to trade and commerce, 177 units constituting 8.11 percent, to manual transport, 60 units comprising 2.75 per cent to mechanized transport, 443 units constituting 20.29 per cent to other services category of RNFS.

• Barkhetri Development Block ranks first in terms of concentration of non farm units followed by Pub-Nalbari and Dhamdhamma Development Block. In Barkhetri Development Block concentration of 47.91 per cent non farm units has been observed as against 28.82 per cent in Pub-Nalbari and 23.27 per cent in Dhamdhamma Development Block.

• It is observed that size of the village and diversity of non farm activities are positively correlated. The coefficient of correlation between them has been found to be 0.82, which is statistically significant at 0.01 levels. This indicates that broader the market, greater is the scope for more activities to flourish.

• Out of 109 sample RNFS units, 58 units constituting 53.2 per cent of the total are own account enterprises. Remaining 46.8 per cent units are found to be in the establishment category.
This signifies that RNFS units in the district are by and large still very small in scale.

- It is observed that 44.95 per cent RNFS units came into existence during last 5 years and altogether 71.56 per cent units emerged during last 10 years. This indicates that the growth of RNFS in the district is a recent phenomenon.

- It is observed that 66.67 per cent entrepreneurs engaged in RNFS units are under the age of 40 years and remaining 33.03 per cent are in the age group of above 40 years. This indicates that there is predominance of young entrepreneurs in the RNFS of Nalbari district.

- All entrepreneurs engaged in the sample RNFS units have received formal education except 7.34 per cent entrepreneurs involved in manual transport and trade related activities. It signifies that spread of formal education also paves the way for diversification process of the rural economy of the district and stimulates growth of modern non farm activities.

- All units belonging to mechanized transport sub-sector of RNFS in the district have emerged during last 5 years. Growth of the sector must have facilitated greater mobility of men and materials. This also implies a better integration of markets within the rural economies as well as with outside
markets. Of course, one consequence of this sub sector is substitution of manual transport by mechanised transport and consequent decay of activities, such as, cart wheel making related to manual transport system.

- It is observed that 72.48 per cent sample RNFS units bear strong linkages with the farm sector of the district. Proportions of sample units having forward and backward linkages are 42.20 per cent and 30.28 per cent of total sample units respectively. This suggests that policies aimed at the RNFS should not be made without consideration of their impact on agriculture nor should agricultural policies be made in isolation.

- The business of 57 per cent RNFS units have been found to be affected by seasonality and remaining 47 per cent units are free from any seasonal fluctuations in their business.

- It is observed that 52.29 per cent RNFS units came into existence due to operation of push factors and 27.52 per cent units emerged due to pull factors. Further, 11.93 per cent units came up due to impact of push-pull combined factors and remaining 8.26 per cent units emerged under the influence of other factors.

- As per gross profits to investment ratio 66 per cent RNFS units are economically highly successful, 16 per cent units
are moderately successful and 18 per cent units are barely successful. Percentage of highly successful units is highest in trade and commerce sub sector and lowest in other services sub sector of RNFS. This indicates that there is need for initiating capacity building measures through which quality of entrepreneurs in terms of managerial skill and capacity to generate income can be enhanced.

- Entrepreneurship training seems to have some positive impact on organizational strength of RNFS units in terms of accounting practices, innovativeness and awareness about business prospects. The Chi-square test rejects the null hypothesis of absence of association between the two at 10 per cent level of significance in favour of the alternative hypothesis of positive association.

- A large majority of RNFS entrepreneurs are keen to exploit bigger markets but only 37.61 per cent of them have gathered the confidence to think of exploiting markets even outside the local economy.

7.1.4 Constraints on Growth of RNFS:

- Half of the sample units reported poor road condition as the main physical constraint. For 18.35 per cent entrepreneurs power shortage is the main physical constraint. This shows...
that Govt. failure in providing road connectivity and power has been physically restricting the growth of RNFS in the district.

- For 41.68 per cent entrepreneurs inability of customers to pay in cash is the main marketing related problem and for 14.68 per cent RNFS units seasonality of demand for their products is the main marketing related problem.

- It is observed that a large majority of RNFS units did not receive institutional finance either for starting their activity or for running their business. This indicates that RNFS in the district is not aided by the support of financial institutions. In this context, the mechanized transport sub sector is an exception.

7.1.5 Economic Contribution:

- The per capita value addition of RNFS of Nalbari district has been estimated to be Rs. 5876.00.

- The gross value addition of RNFS in the district has been estimated to be Rs. 723 crore. This amounts to 51.19 per cent of the reported gross district domestic product (GDDP) of Nalbari for the year 2005-06.

- In terms of share in gross value addition of RNFS, trade and commerce sub sector is most important. Manufacturing and
processing, other services and mechanized transport are the other main contributors in order of importance.

- Total employment generated in the district RNFS has been estimated to be 2,22,785, which constitutes 55.46 per cent of the estimated total workers of Nalbari district for 2006.

- Share of male and female employment to the total employment of the district has been found to be 84.23 per cent and 15.47 per cent respectively.

- Other services category of RNFS in the district generates more female employment (26.87 per cent) out of all sub-sectors. This sector is followed by manufacturing and processing (19.78) and trade and commerce (8.80). There is total dominance of male employment in the mechanized and manual transport sub sectors of RNFS.

- It is observed that 95.41 per cent RNFS entrepreneurs are male and only 4.59 per cent entrepreneurs are female. It indicates that, there is dearth of female entrepreneurs in the RNFS of the district as yet.

### 7.2 CONCLUSIONS:

It is clear from the study that the rural non farm sector has been rapidly emerging as the major source of employment in the rural economy of Assam and more specifically in Nalbari district.
With the saturation of capacity of agriculture to absorb additional labour force, the non farm sector has assume the role of engaging growing labour force in the rural economy. In the process the non farm sector has come to contribute a significant share of income generated in the rural economy.

The emergence and expansion of non-farm sector can not as yet be treated as replacement or substitution of the farm sector. A large majority of these activities have either forward or backward linkage with the farm sector. Hence, in the medium term, the farm and the non farm sector in the rural economy of Assam and Nalbari district interact in a complementary manner by reinforcing each others growth.

In this context it is significant to note that mechanized transport is the most important type of non-farm activity in the rural areas. Emergence of this activity is important not only for itself but also for rest of the rural economy. Availability of mechanized transportation increases market access and facilitates faster movement of men, inputs and outputs creating conditions for growth of both farm and non farm sector.

The RNFS activities are diverse in nature. They encompass both traditional and non-traditional (including newly emerging) activities. However, the extent of diversity is related to size of the rural market. Of course, RNFS activities in Nalbari 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.

On the other hand, poor state of village road and non availability of power have been acting as drag on the growth and diversification of the RNFS. Besides providing these basic physical infrastructures, better financial support of the rural sector can greatly facilitate growth of the non farm sector.

The recent growth of the RNFS is induced largely by push factors. In that sense, one is tempted to conclude that the growth of RNFS is more of a distress phenomenon than a positive event. However, the word distress here may be misleading as large majority of the RNFS units have been found to be economically successful. None the less there is a need for capacity advancement of the newly emerging rural entrepreneurs through training especially in accounting practices.

7.3 POLICY IMPLICATIONS:

The findings summarized above and the conclusions drawn thereof lead to the following main policy suggestions of the study.

i) To sustain the growth of the RNFS, Govt. intervention is urgently required for improving rural connectivity and power supply. Better connectivity will wider the rural
markets giving them the size for diverse kind of non farm activities to flourish. Better power supply, on other hand, will enable modernization of the sector by allowing commercial energy using activities to emerge.

ii) It is also necessary to take measure for enhancing access to credit in the rural economy. So far the growth of rural non-farm sector in Nalbari district has taken place without any significant involvement of financial institutions. But for the size of the units and the sector to expand, further infusion of capital at larger doses will be necessary. In this process, the financial institutions will have a big role to play. Banks and other financial institutions have been partly hesitant and partly enable to extend credit to the small and new entrepreneurs especially in villages and more so in State like Assam. New initiatives and unconventional methods are necessary for better credit flow to the rural economy.

iii) There is a need to support entrepreneurs in the rural sector in organizing themselves in a more professional manner. This can be achieved through training programmes focusing on accounting and other business practices.