1.1. BACKGROUND OF THE STUDY:

Until recently, the rural economy was equated with the agricultural economy. The primary function of rural household was thought to be production of food, fiber and livestock for the home market and one or more crops for exports. The size and significance of rural non-farm sector has been severely underestimated in countries with abundant rural labour (Meier/ 1995). The significance of non farm employment and income to rural households, especially the weaker sections did not receive adequate attention. Undoubtedly, this was partly due to excessive pre-occupation of most development economists and policy makers with the two sector growth model under which the steadily expanding modern industrial sector would show an uninterrupted capacity of taking on the surplus labour from the backward agricultural sector. It was assumed that employment growth in modern capitalist sector would be proportional to the rate of capital formation. But this did not happen in actual development process. Both capital formation
and output expansion occurred in varying form and content, but employment grew at a much slower rate. Towards the end of 1960s, the operational weakness of the dual sector approach, especially the painful consequences of increasing rural under employment became obvious. Therefore, the necessity for expanding the network of non farm activities for rural development, improvement of employment, productivity and earning and poverty reduction gained a high policy significance in the developing world. It is now increasingly recognised that in peasant economies, typically characterised by population pressures, an ever declining land-man ratio, small and fragmented holdings, highly iniquitous land distribution structures etc. agriculture alone could not provide ultimate solution for rural unemployment and under employment problems. Therefore, search for non farm avenues of employment and earning are a must. Rural non farm activities utilise local talent and local resources which could not be easily transferred and utilised in urban modern industries. It has also been realised that the network of rural non farm activities could play an important role in containing large-scale urban ward migration of rural job seekers. Thus, through localising employment in the rural areas themselves, the rural non farm activities could contribute in easing urban congestion and reducing the pressure on scarce urban infrastructural facilities. (Chadha /2003).
The most important problem faced by the country at present relates to generation of productive and sustainable employment for its growing population. Over the past three decades the employment scenario in India has undergone some important changes. First, although agriculture continues to occupy a predominant position in the Indian economy, its share in GDP has declined from 44.8 percent in 1977 – 1978 to 27.6 percent in 1999 – 2000 at constant prices of 1993 – 1994. During the same period share of employment in agriculture (UPSS) declined only from 73.9 percent to 60.2 percent. With 60 percent of national workforce producing a little more than a quarter of GDP, the relative productivity of workers in agriculture is less than one fourth that in non agricultural occupations. Again, during the period from 1973–1974 to 1999–2000 for which NSS data are available employment grew at annual rate of 1.94 percent as against growth rate of 1.96 percent in the labour force. But during 1993–1994 to 1999–2000 the growth rate of employment decelerated sharply to 1.03 percent per anum. In the mean time, incidence of unemployment which is defined as ratio of unemployed to labour force increased from 1.64 percent in 1973–1974 to 1.96 percent in 1993–1994 and to 2.25 percent in 1999–2000. Therefore, the real problem and challenge in the Indian economy is not only to create more jobs to keep pace with the growth of labour force, but also to increase the average productivity of all jobs (Bhalla and Hazell/2003)
According to 55th round of survey conducted by NSSO overall employment in India grew by less than 1 percent (.98%) during 1993–1994 to 1999–2000 and during the same period agricultural employment has marginally declined by .34 percent (Economic survey 2001–0002).

It is observed that since 1970s the rural economy of the country has been diversifying away from agriculture to non-agriculture absorbing the bulk of rural labour force who are mostly unable to find adequate employment in agriculture. Labour intensity in agriculture seems to have declined. In fact, agriculture has virtually ceased to employ more labour (Bhimjiani /1994). Simultaneously, employment growth in the organised non farm sector has been pitiably low. These two segments together accounted for close to 70 percent of all employment in India in 1999–2000 and yet, they contribute almost no new jobs. Therefore, in recent years the burden of providing additional employment to growing Indian labour force has fallen upon the unorganised non farm sector (Chadha/2003).

Presently, persisting demographic pressures on limited land resources have continued to produce an additional supply of labour force beyond the agricultural sector is capable of absorbing. The class of semi landless and marginal farmers has been growing at a progressively faster rate both in absolute and relative terms. Consequently, the proportion of casual labourers has risen appreciably
and that of the self employed declined in rural workforce during 1977-1978 to 1993-1994. The resulting rise in availability of labour in excess of demand in agriculture, combined with a substantial increase in agricultural income has laid the basis for diversification of rural employment. Similarly, organised industrial sector also does not offer much hope so far as absorption of growing labour force is concerned, as the production process in this sector are becoming more and more capital intensive (Kar/2001).

An alternative to this non-farm sector particularly in rural areas positioned as a potential sector for absorption of rural labour in a productive manner. Further, jobs in the rural non farm sector build skill base of the rural population, they are often less capital intensive, used less energy and improved inputs and as the experience of some developing countries like China has shown these can have high export potential (Raghviah/2000). In short, rural non farm activities are expected to play an important role in combating the problem of rural unemployment in view of increasing population pressure on agriculture, diminishing land frontier, declining employment elasticity in agriculture and urban organised manufacturing sector, higher incidence of unemployment and poverty and excess supply of labour (Visaria/1995).

The rural non farm activities are large and dissimilar to each other. In this sector there are traditional activities like weaving and pottery,
which have been practiced from time immemorial. On the other hand, there are activities, like television repairing or manufacturing of agricultural machinery. Broadly, all activities undertaken under rural non farm sector will belong to any of the following three categories (Raghaviah/2000)

a) Manufacturing and processing

b) Trade and Commerce

c) Service and Transport

These three types of activities can be either household or non household ones. The non farm activities can be village enterprises or based in semi urban centres and they can be cottage or factory type enterprises.

In Assam, total number of workers engaged in rural non farm sector was 1.16 million in 1991 which constitute 18.6 percent of the total rural workers as against 17.7 percent for the country as a whole. The Economic Census of enterprises conducted by CSO in 1990 shows that in rural Assam there were 330838 enterprises. Total numbers of person employed were 786250, that is, 2.4 percent per enterprise as compared to 2.2 in all India level (Bhimjiani, et.al/1994). Again, according to Economic Census of enterprises (1998) there were 404279 rural enterprises in Assam, out of which 16960 were agriculture based and 387319 were non agriculture based. Total number of persons employed by these enterprises were 1550985, that
is, an average of 3.8 persons per enterprise as against 2.3 in all India level (Eco. Survey/2004-05). 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.

According to 1991 Census, total population of Assam was 22.4 million out of which over 8.1 million were main workers. Of these, 7.3 million that is about 81 percent were engaged in agriculture and allied activities. This reinforces the predominance of agriculture and allied livelihood in the state. However, agriculture in Assam is not in a position to absorb increased inflow of additional labour force due to inelastic supply of land and commencement of the process of mechanisation. Thus, while the potential for further employment in agriculture becomes limited, the rural non farm sector has emerged as a significant sector for generating large scale productive rural employment (Mahajan /1994).

Inspite of this fact, very little is known about size, nature, composition and problems and prospects of various kind of activities within rural non farm sector in Assam. Perhaps the first most
significant work on rural non farm sector in the state was report of the Study Group constituted by NABARD in collaboration with Swiss Development Corporation (Bhimjiani, et.al/1994). The report is useful as it provides a systematic description of this important part of the economy. However, there is need for further detail studies taking this report as the base. Meanwhile, a few micro level studies in the form of Indian Institute of Bank Management project reports confined to Kamrup and Jorhat districts of Assam have also become available.

The present study of the rural non farm economy of Assam attempts to interface the macro level picture constructed from analysis of state level information (both literature and statistics) with micro level inputs gathered from intensive field study at selected locations.

The field work is confined to Nalbari district of Assam considering its intensive nature. Selection of Nalbari district for field study is guided among others, by the fact, that the district is one of the least urbanised in Assam, having only 2.4 percent urban population according to 2001 census with relatively high density of population, that is 450, in rural areas. The economy of the district is characterised by non existence of urban organised industrial sector and predominance of agriculture. However, as per 1991 census, the district ranks second among all the districts of Assam in terms of share of population involved in rural non farm activities which constitutes 26.7 percent of the total rural main workers. According to 2001 census, total
population of the district was 11,48,824 out of which rural population was 11,21,338 and urban population 27,486. Total number of registered SSI units in Nalbari upto 1999 was 1,389, which constitute 3.7 percent of the registered SSI units of the state (Statistical hand book / 2005). In the district large number of non farm activities varying in size and nature have been carried out by rural people since time immemorial.

1.2. DEFINITION OF RURAL NON FARM SECTOR:

The concept of rural non farm sector is quite new and Indian debate on this sector began just after publication of Vadyanathan's article (1986) entitled "Labour use in India: A study of spatial and temporal variations." Due to heterogeneous character of the rural non farm sector which includes rural part of secondary and tertiary activities, it is very difficult to define the sector in clear and concrete terms. Very often, there is confusion between farm, non farm and off farm and on farm employment. The farm sector includes activities undertaken by workers either as main or subsidiary occupations in agriculture and allied activities. Therefore, the industrial sector, construction, services, home based production activities and the employment therein is called non farm employment (Bhimjiani, et.al/1994) Sometimes, problem arises in identifying non farm activities in rural areas due to variations in definition of rural areas across the country. The World Bank (1978) in its publication also mentioned the
difficulties is presenting a clear cut classification of agricultural and non agricultural activities or rural, urban categories due to lack of well established and consistent set of definitions.

Rural non farm sector covers a broad spectrum of activities outside agriculture in the tertiary and secondary sectors of the economy pursued in the rural areas for reaping economic benefits. It covers heterogeneous assortment of various groups ranging from medium units to tinny units harvesting intermediate technology and also traditional activities carried out in the diversified sectors covering rural artisans and craftsmen including non agricultural labourers engaged in small part time jobs (NABARD/2003 – 2004).

According to Nagiya (1999) RNFS comprises a number of activities in rural areas other than agriculture. These are manufacturing, mining and quarrying, construction, trade and commerce, transport and other services. On the other hand, Sheela (1993) was of the view that rural non farm sector encompasses all non crop agricultural activities. It includes, manufacturing activities like cottage, small scale rural industries and other forms of petty production as well as trade and services in rural areas.

A formal definition of rural non farm sector has been put forward by Mahajan and Fisher (1997) as the following -

"Rural Non Farm Sector comprises all non agricultural activities, mining and quarrying, household and non household manufacturing,
processing, repairs, construction, trade, transport and other services undertaking in village and rural towns up to 50,000 population undertaken by enterprises varying in size from household own account enterprises all the way to factories”.

For the purpose of present study Mahajan and Fisher's definition has been accepted with marginal modification regarding the size of population. Because, if the same size of population as suggested in the definition is accepted for the study without modification even the district headquarter, that is, Nalbari town in which population according to 2001 census is 23,183 will fall within the purview of rural non farm economy. Therefore, the said definition is adapted for the purpose of present study reducing the size of population to 5,000.

The definition is accepted for the purpose of present study with marginal modification regarding the size of population because it encompasses three important dimensions of rural non farm sector –

1. Types of activities covered under RNFS
2. Location of enterprises
3. Size of enterprises

The definition clearly indicates that types of activities covered under RNFS consist of mining and quarrying household, and non household manufacturing, processing, repairs, construction, trade, transport and other service. Census of India 1991 has classified activities into IX different categories as listed below –
(i) Cultivators
(ii) Agricultural labourers
(iii) Workers engaged in livestocks, forestry and fishing etc.
(iv) Mining and Quarrying
(v) (a) Household manufacturing
(v) (b) Non household manufacturing
(vi) Construction
(vii) Trade and Commerce
(viii) Transport, Storage and Communications
(ix) Other services

Therefore, RNFS activities comprise census categories IV to IX.

In respect of location of enterprises village and rural towns upto 5,000 population (as adapted) will come under the purview of rural areas. There is justification for inclusion of rural towns up to 5,000 population on the basis of extensive linkages between these towns and rural areas around them both in terms of commerce and commutation.

Relating to size of enterprises the definition clearly suggests that own account enterprises, directory and non directory enterprises located in rural areas including factory can be included within the purview of RNFS.

The study group on RNFS constituted by NABARD in collaboration with Swiss Development Corporation (1994) has
accepted the definition of Mahajan and Fisher. Similarly, Indian Institute Bank Management formerly known as NEIBM for the purpose of preparing a project report on rural non farm sector in Kamrup district of Assam has also accepted the same definition.

1.3. OBJECTIVES OF THE STUDY AND RESEARCH QUESTIONS:

The study is largely exploratory in nature. It is guided by the following objectives:

1. To provide detailed description of the nature and size of rural non factor sector in Assam.

2. To examine the importance of rural non farm sector in terms of its contribution to income and employment generation. This objective has been pursued mostly in the context of Nalbari district.

3. To ascertain linkages of rural non farm sector with other sectors of the economy.

4. To examine the relation between size of the village and diversity of non farm activities.

5. To analyse the physical, financial and marketing related constraints on growth of selected sub sectors in general and rural non farm units in particular.

Besides these objectives, the study also pursued research question whether the present trend of diversification of rural economy
in favour of non farm sector is caused by pull factors (such as — general or agricultural growth led) or induced by push factors (distress factors like — reduced land base, low agricultural wage, seasonality of agriculture, lack of alternative avenues of employment)

This question becomes pertinent in the context of ongoing debate in the literature whether the contemporary growth of rural non farm sector is a distress phenomenon or a positive development.

1.4. SIGNIFICANCE OF THE STUDY:

In India 72.22% of the total population dwell in rural areas (Census/2001). It is obvious that the economic health of the country hinges heavily on the economic well being of this large section of our country’s population for whom dominant sphere of economic activity and engagement has been the farm sector. It is observed that since 1970s the rural economy of the country has been diversifying away from agriculture to non-agriculture absorbing the bulk of rural labour force who are mostly unable of find adequate employment in agriculture. In fact, agriculture has virtually ceased to employ more workers due to very capacity of the sector and increasing use of labour saving technology. Simultaneously, employment growth in the organised non farm sector has been pitiably low. These two segments together accounted for close to 70 per cent of all employment in India in 1999–2000 and yet, they contributed almost no new jobs. Therefore, in recent years, the burden of providing additional employment to the
The growing Indian labour force has fallen upon the unorganised rural non farm sector (Chadha/2003). Further, there could be strong complementarities between farm and non farm sector at the village level and future of economic growth of the country depends upon how this important sector of the economy could be nurtured.

The state of Assam is no exception to over all economic scene of the country. Assam has 26,247 villages where 87.28 per cent of its population live (Census /2001). The contribution of agricultural sector to total NSDP of the state at current prices during 1999-2000, 2000-2001 and 2001-2002 were 38.64 per cent, 35.24 per cent and 32.56 per cent respectively. The contribution of agriculture to NSDP of Assam at current and constant prices has been found to be 30.09 per cent and 28.91 per cent respectively in 2004-2005. A major part of agricultural land in the state is operated by small and marginal farmers as the same constitute nearly 83 per cent of the total farm families. This clearly indicates that the contribution of agricultural sector to the total NSDP is coming down over the years.

The importance of non farm sector in rural areas stems from the basic characteristics of the economy of the state. The available data reveals that the number of persons engaged in non farm activities has been gradually increasing over the years, which could be attributed to the growing population, disguised unemployment in agriculture, lower cropping intensity, land scarcity, low rate of labour transfer to
industries in the organised sector, lower rate of urbanisation, increasing use of labour saving technology consequent upon impact of green revolution etc. The present growth rate of population coupled with the high unemployment rate puts enormous pressure on the state economy to create additional job in the rural areas outside agriculture. The development of non farm sector is also essential for development of agriculture itself, particularly when nearly 60.38 per cent of operational holding are marginal (NABARD /2003 – 2004). There are also several direct and indirect benefits accruing to the economy from development from development of the non farm sector. These activities rely largely on local financial and unexploited natural resources and contribute significantly in reducing urban–rural income differences. In other words, rural non farm sector ensures principle of horizontal growth instead of relying upon vertical growth principle. These activities can be started with simple levels of technology and in small scale. This sector can provide inputs for agriculture, increases its productivity and add value to agricultural produce through localised processing and in turn, generate surpluses for investment in agriculture and social sector (Mahajan /1994).

In the economy of Assam, which is characterised by predominance of agriculture with weak industrial base and extremely lower rate of urbanisation, there is enough scope for generation of income and employment in rural non farm sector.
Nalbari is a typical district of Assam with marginal rate of urbanisation and high density of population. It has a geographical area of 2257 square kilometers with 824 villages, 10 revenue circles, and 12 development blocks (Census /2001). The economy of the district with a population of 11,48,824 is totally agrarian. This coupled with very high population density, literacy and routine havoc of flood, makes it a heady cocktail of socio economic and political currents, earning the district the dubious distinction of being a centre of insurgent activities. In the rural areas of the district a large number of non farm activities are carried out traditionally, mostly by the farm families in order to supplement their farm income. Again, due to inability of the farm sector to absorb additional labour and non availability of organised industrial sector, rural people are in search of alternative avenues of employment in the rural areas itself. Meanwhile, several modern non farm activities are also coming up in the district. According to 1991 census, the district ranks second among all the districts of Assam in terms of proportion of workers involved in rural non farm activities which constituted 26.7 per cent of the total rural main workers. By 2001, proportion of workers involved in rural non-farm activities of the district including workers engaged in allied activities has been found to be 49.9 per cent of the total rural main workers of the district as against 45.5 per cent in Assam.
Therefore, it would be rewarding to study different components of rural non-farm sector of Nalbari district and try to find out ways and means for the spread and growth of this sector along with problems, prospects, nature, size, determinants and constraints. This will throw up suggestions for overcoming the depressing scenario of unemployment, under employment, seasonal employment and rural poverty in the district having vital relevance for the economy of Assam and India as a whole.

Here lies the significance of the proposed study.

1.5 METHODOLOGY:

1.5.1. Data Source and Sampling Framework:

The study combines aggregative state and district level data collected from secondary sources with micro level inputs gathered from the field study. The state level information has been collected from Assam Government Offices like Directorate of Industries, Khadi and Village Industries Board, Directorate of Economics and Statistics, Directorate of Panchayat and Rural Development, State Institute of Rural Development and Reports and publications of organisations, such as, National Sample Survey Organisation, Central Statistical Organisation, National Institute of Rural Development, Indian Institute of Bank Management, Indian Institute of Entrepreneurship, National Bank for Agricultural and Rural Development, existing study reports on rural non-farm sector in Assam and elsewhere in the country.
These data have been used for describing the state level picture (size and nature) of rural non farm sector. Moreover, data from the same sources have been used to draw the general background of Nalbari district which is the area taken up for more intensive investigation. To complete the district level background such data have been supplemented by information collected from district offices of Directorate of Economics and Statistics and Khadi and Village Industries Board.

In the field study the preliminary unit of observation is village. A two stage sampling design is used for selection of sample villages. In the first stage three Development Blocks out of twelve Blocks of the district have been purposively selected in the interest of providing due representation to different ethnic and cultural groups. Development Blocks so picked up for intensive investigation are Dhamdhama, Pub-Nalbari and Barkhetri. In these sample Blocks there are altogether 240 villages.

For the next stage 240 villages in the 3 sample Blocks of the district have been classified into three different categories depending upon size of population recorded in the census report 2001, namely, villages with less than 1000 population, villages between 1000 to 2000 population, villages having more than 2000 population. Then from each category 5 per cent of villages are selected at random, which constitute 14 villages: 3 from Dhamdhama Block, 5 from Pub-Nalbari
Block and 6 from Barkhetri Block. Villages are classified into 3 groups because literature in the area of study suggests that there exists relationship between size of the village and diversity of non farm activities on the one hand and size of the village and number of non farm units on the other.

The field investigation in the sample villages is carried out in two phases.

In the first phase information on types and number of non farm activities undertaken in sample villages have been collected from the village Headmen. Information so collected has been authenticated by one or more responsible persons of the locality. In this phase a total of 113 types of non farm activities are identified in 14 sample villages and total number of units of such activities has been found to be 2183.

The various types of activities identified in the sample villages have been broadly clubbed into four categories for the purpose of second phase of field investigation. These are – A) Manufacturing and Processing, B) Trade and Commerce, C (i) Transportation (Manual), C (ii) Transportation (Mechanised), D) Other services

In the second phase of field investigation 5 percent of total number of non farm units (5% of 2183) found in sample villages are picked up at random for detailed investigation. A standard and systematically designed questionnaire has been used for the purpose of collection of information from the selected RNFS units.
1.5.2 Analytical Framework:

Relation between size of village and diversity of non farm activities, relation between size of the village and non farm units have been identified from the inputs gathered from village level data in the field study.

Analysing the inputs gathered in the sample survey of non-farm units, linkages of rural non-farm sectors with other sectors of the economy, basic features, performance of RNFS in Nalbari district and the constraints under which it operates have been assessed and identified. In the process of these analyses the answer to the main research question has also been received.

For assessing the contribution of RNFS in Nalbari district, first the gross value addition and employment generation in the sample RNFS units have been worked out from the relevant information recorded in the field study. On the basis of these estimates the contribution of RNFS in the entire district have been worked out using the district level population and gross district domestic product data gathered from secondary sources. Technical details of these calculations are spelt out in Chapter Six.

Apart from the summary statistics of percentages and averages, co-relation co-efficient has been used to examine the relationship between quantified variables. In order to examine association between non quantifiable factors chi-square tests have been conducted.
1.6. LAYOUT OF THE THESIS:

The thesis is organised in seven chapters including the present one, in which background of the study, definition of RNFS, objectives and research questions, methodology and significance of the study have been stated.

Chapter two provides a review of relevant literature on the subject of the study. The review covers theoretical discussions, conceptual issues and also various findings. This review has helped in clarification of various issues and questions pursued in the study.

Chapter three deals with a macro level description of the rural non farm sector of the district with rural non farm sector in the state and the country. This chapter helps in finding out relative importance of RNFS in the district, state and the country in terms of its nature and size.

Chapter four furnishes information relating socio economic background of the field study location and RNFS in it.

Chapter five analyses basic features of RNFS, linkage of RNFS with other sectors of the economy, performance of and constraints on growth of RNFS in Nalbari district.

Chapter six deals with estimation of economic contribution of RNFS in Nalbari district in terms of income and employment generation.

In the concluding chapter, findings of the study are summarised and the broad inferences are drawn. Then, on the basis of the summary and the inferences, policy implications have been discussed.
REFERENCES:


