CHAPTER TWO

RURAL NON FARM SECTOR IN THE DYNAMICS OF RURAL ECONOMIC TRANSFORMATION:
A REVIEW OF LITERATURE

The rural non farm sector has received increasing attention of social scientists, researchers and policy makers particularly in India where the rural economy can no longer be equated to just the farm sector. As a result of this growing interest in the rural non farm sector, a large volume of literature on the various aspects of the sector such as its nature and composition, determinants, its linkages with the farm sector, its role in the dynamics of development and its prospects as a future source of income and employment generation has emerged. Therefore, there is need for more detailed empirical analysis of various issues relating to rural non farm sector. 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 undertaking of works done so far. The following is an attempt to summarise the same.
Bhalla and Chadha (1983) observed that in Punjab a fairly good percentage of small and marginal farmers were living below the poverty line because of their excessive reliance on agriculture. In the state, on farm labour absorption capacity witnessed a noticeable increase and agricultural wage rate did not register any real decline. Therefore, adequacy of employment should not be seen independent of remunerativeness of employment if poverty is to be eradicated permanently.

According to Vadyanathan (1986) there are two types of phenomenon that contribute to the growth of non agricultural sector — (a) those representing development captured by variables such as, agricultural production, growth of incomes, infrastructure development, urbanisation and commercialisation and (b) related to distress, reflected variables such as, unemployment, under employment and poverty.

Hossain (1987) pointed out that 3.7 percent growth rate in crop production in Bangladesh could absorb only about a quarter of the increase in labour force during 1980s. Therefore, attention is being paid to rural non farm activities as an important sector to focus on the strategy of creating productive employment and income earning opportunities for rural poor and the unemployed.

According to Papola (1987), small and marginal farmers are finding it difficult to derive wage employment either in agriculture or in
secondary sector. Further, capital intensive technology in manufacturing sector has led to a decline in employment elasticity and resulted in a virtual stagnation in the growth of employment in manufacturing industries. In this circumstances rural non farm sector seems to be one of the best options available for small and marginal farmers to enhance their employment and stabilise income.

According to Papola (1987) general development of the area accompanied by fast agricultural growth can be considered important for improvement in productivity of rural industries. Agricultural growth has influenced rural non farm activities directly by supplying raw materials and creating demand for inputs and indirectly through raising consumption demand and generating surplus for investment.

According to Islam (1987) a large part of the products of rural industries are meant for final consumption by rural households or use as inputs in the agricultural sectors. But, the levels of income of a large part of rural people in a number of Asian countries are so low that after meeting the basic needs related to food and shelter they have very little left for purchasing other goods. Therefore, poverty of the rural people is considered to be the cause of demand constraint for growth of rural industries. In most of the countries agriculture remains the major source of income of the rural people for which demand constraint is closely linked to the growth of agriculture. Therefore,
prosperous agriculture can successfully eliminate this demand constraint for growth of rural industries.

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 rural areas. Other forces, such as urbanisation and development of infrastructure can also lead to growth of non agricultural activities. Both forces lead to the shift of rural workers to productive jobs in the non farm sector which may be regarded as growth led diversification.

On the other hand, there is another important dimension to the growth of non farm activities in rural areas which can be termed as distress diversification. This type of diversification insists workers to move to unproductive and low paid non farm jobs. Bhalla has identified two kinds of distress diversification in which rural non farm activities become residual labour force 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.

According to Agarwal (1989) there are three ways of increasing employment and income of any community –
By increasing labour productivity of the existing industries or occupations.

Shifting population voluntarily or through persuasion from less productive industries or occupations and providing them necessary facilities for skill development.

Increasing the profitability or wage levels in existing industries or services either by cutting down costs through better use of inputs, better marketing and management, multiplying demand or increasing prices of their finished products.

Gogoi (1993) was of the view that two types of direct linkages could be established between agriculture and non agriculture, 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.

Unni (1994) was of the view, that the hypothesis of agriculture-led growth is partly established by a positive relation between agricultural productivity in a region and percentage of non agricultural employment. Urbanisation, which sought to capture the impetus to growth of non agricultural employment, emanating from outside agriculture, also exercised positive impact on the percentage of male non agricultural worker. He found that in regions with higher proportion
of poor population, the percentage of male worker in non agriculture was low.

This would imply that distress condition does not necessarily lead to the growth of non agricultural activity.

Singh (1994) observed a definite but moderate shift in favour of non agricultural employment in Uttar Pradesh. In the state composition of the non agricultural work force has changed more significantly. Non household industries, construction, transport, public and social services have emerged as important source of rural employment and many household traditional industries have declined in the state. These changes have been brought about by the growth and structural changes in the agricultural sector and the Govt. policy. Again, changes in consumers’ tastes and competition from factory sector have led to decline of employment in traditional rural industries.

National Development Council (1994) in 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 agriculture 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 the rural employment has been increasing in recent year and that it is due to the growth of productive employment opportunities in this sector.
Mahajan, et. al. (1994) observed that in India rural non farm sector employment grew faster than employment in agriculture. The growth in the proportion of rural non farm sector workers has been accompanied by an increase in proportion of agricultural labourers. Thus, there is some reason to believe that growth in rural non farm sector activity in India has been caused more by the phenomenon of agricultural distress rather than agricultural prosperity. However, this situation varies from state to state. In states like Punjab, Uttar Pradesh the rural non farm sector seems to have grown due to agricultural prosperity but in Assam and Orissa it was due to agricultural stagnation and distress.

Jayraj (1994) found that degree of urbanisation, commercialisation of agriculture and the rate of literacy among male workers significantly and positively affect the level of non farm employment among rural male workers. Non farm employment in the rural areas are affected by the presence of urban centres in two ways - (a) through the manufactured goods of rural origin and (b) through the demand for services. Therefore, urbanisation has both pull and push effect on rural non farm employment.

Dev (1994) examining some aspects of non agricultural employment in rural India found that total agricultural workforce in the country grew at the rate of 1.5 percent per anum and the rate of growth of non agricultural workforce was around 4.7 percent per anum.
during the period 1972–1973 to 1983. In the case of agriculture, growth rate of female workers was higher than that of males and reverse was the case in respect of non farm employment. Depending upon region level estimates he observed that land productivity instead of crop output per head of agricultural population has positive impact on non agricultural employment.

Basant and Kumar (1994) observed that, some traditional rural non farm activities continue to exist and in some cases grow in spite of having low levels of profitability and productivity. Emergence and continuation of these activities point to the fact that there is demand for their products. This type of situation represents a sort of low level equilibrium trap, where people with limited purchasing power have to consume low cost goods. Agricultural development can release a region from this low level equilibrium trap. However, while agricultural development may provide the pull factor, a lack of it may push people out of the primary sector to undertake non-agricultural work. Analysis of seasonal fluctuation in rural employment also suggests that some non agricultural activities are undertaken when there is a slack in the agricultural work.

Basant and Joshi (1994) sought to explore various dimensions of diversification of rural employment at micro level based on the census of six villages located in an agriculturally developed district Kheda of Gujarat. They found that the growth of the rural non
agricultural sector linked to agricultural prosperity and commercialisation is likely to be more significant in large villages because of the relatively large internal market. Possibilities of distress diversification into non agricultural activities are limited in agriculturally backward and small village due to limited internal demand for such activities. Landless and other distress conditions often lead to higher work participation rates in the distressed households and migration to nearly areas mainly for agricultural works. However, distress may co-exist with agricultural prosperity and infrastructural facilities. Under such circumstances, diversification takes place at both the ends of the spectrums—landed households diversify into productive non agricultural activities from the point of strength due to access of resources and poor households diversify from the point of weakness and undertake less productive agricultural activities.

According to Bhimjiani, et. al. (1994) agriculture in Assam is not geared to absorb the increased inflow of additional labour force since there is little scope to increase land and water resources to support additional number in agriculture and allied activities. Thus, while the potential for further employment in agriculture becomes limited, the rural non farm sector has emerged as an important sector for creating large scale productive employment. They identified several emergent activities within rural non farm sector in Assam which have the potential to grow at a rapid rate, if certain critical constraints are
attended to. Promising emergent rural non farm activities in the state are agricultural services, fish processing and rural retail trade among others.

Visaria (1995) observed that the share of cultivators in the workforce varies inversely with size of the village and that of agricultural labourers as well as workers engaged in other services and some of the non agricultural activities rises with the size class of village. These patterns emerge because a certain minimum population size is essential for development of the market for labour, products or services, before some workers can specialise in non farm activities.

Verma and Verma (1995) observed that movement in occupational structure away from agriculture, witnessed during seventies and the eighties has coincided with the second phase of green revolution characterised by falling output elasticity of employment in agriculture, increasing dominance of labour displacing mechanical technology over its biological counterpart, rise of capitalist farming in place of family based farming, fall in the incidence of tenancy etc. Those developments have impaired the ability of agriculture to absorb more labour. Under such a situation when the ability of the urban sector is limited, the excess rural labour has no alternative but to turn to rural non farm sector for odd job opportunities.
Srivastava, et. al. (1995) observed that lower the size of the farm higher the contribution of non-farm employment to income generation. They indicated that low level of agricultural development forced the farmers to make a distress entry in the non-farm sector for generating more income.

Singh, et. al. (1995) found that the farm employment was higher during pre-machinery use periods and non-farm employment was higher during post machinery use periods because of more public and private expenditure which generated non-farm works to a larger extent in the rural areas.

Shylendra and Thomas (1995) made a distinction between two categories of rural non-farm activities. One is the non-farm proper which includes artisans, service, trade, business and other white colour jobs. Movement of workers towards these activities is largely due to increased local demand for different goods and services or the expansion of government activity. The second is that of non-farm migratory activities: Most of the households have been compelled to migrate during lean periods as a result of distress.

Saraswat, et. al. (1995) found that in Himachal Pradesh due to low productivity of land, people supplement their marginal income through non-farm activities. Non-farm sector employment holds the key in respect of creating remunerative employment in the rural areas. This could be attributed to (a) increasing population pressure and
consequent marginalisation of holdings (b) proximity to urban centre and (c) structural changes in the economy both at the micro and macro level.

Iyyampillai and Jaykumar (1995) found that there exist regional variations in respect of level of rural non farm employment in Tamilnadu in general and Tiruchirapalli district in particular. The districts and taluks with higher percentage of urban and literate population have got higher levels of rural non farm employment. Such districts and taluks have also positively influenced their neighbouring areas.

Examining the changes in the level and structure of rural non farm employment in North Western Hilly region of India, Jairath and Gupta (1995) found that Himachal Pradesh recorded a negative growth in case of farm employment and positive growth in respect of non farm employment during 1980–1990. During the period under study non farm employment dominated the total rural employment scenario in the state. They also indicated that lower the size of the farm, higher the contribution of non farm employment to income generation and lower level of agricultural development forced the workers to make a distress entry in the non farm sector.

Eapen (1995) pointed out that high degree of commercialisation of agriculture, close rural - urban linkages, rapidly declining land – man ratio, increase in proportion of marginal holding, overall rural
prosperity, flow of remittance to rural areas, and growing level of literacy have played an important role in generating a high level of employment in rural non farm sector.

Chahal, et. al. (1995) found that there exist a positive correlation between level of literacy and growth of non farm employment and negative correlation between level of literacy and farm employment. The share of non farm earning is gradually on the increase in rural areas due to implementation of various self employment schemes.

An attempt has been made by Singh and Mahanty (1995) to examine the employment pattern of the tribal Keonjhar district of Orissa. They found that the contribution of farm and non farm activities in gainful employment was non significant and the fraction of total workers employed in agriculture and non agricultural pursuits were also miserably under employed.

According to Shylendra and Thomas (1995) the development factors like agricultural mechanisation and commercialisation, increased demand for non crop goods and services, urbanisation, growing literacy and welfare oriented policy interventions leading to increased job opportunities have tried to pull the labour force away from agriculture towards more lucrative non farm activities. At the same time, distress factors like poverty and unemployment caused by inability of agriculture to absorb the surplus labour and frequent natural calamities have tried to push the rural households to move in search of
various non farm activities to supplement their farm income and employment.

According to Meier (1995), the size of rural non farm sector has been severely underestimated in countries with abundant rural labour. This has occurred because of occupational classification procedure employed in population censuses and because of the way the rural urban boundary has been drawn. In practice, it can play a major role in augmenting rural welfare and can be a significant ingredient in advancing structural transformation.

According to Mathoria (1996) both distress and development factors seemed to have played a role in respect of occupational diversification that has taken place in India. He pointed out that lower female participation in rural non farm employment was largely attributed to low literacy, early marriage, social values, unfavourable attitude of employment, lack of organisational network, concentration of industries in urban areas, lack of opportunities for self employment, poor technical know how and absence of legislation for female job reservations.

The experiences of successful East Asian economics like China, Thailand, Taiwan, Indonesia and Malaysia indicate that non farm development follows or parallels rapid gains in agricultural production. In these countries rural industries have a comparative advantage in production of labour intensive goods such as women textiles,
garments, silk products and handicraft utilising raw materials and skills readily available in the sector. The enormous growth of rural industry in China is largely due to the enterprise of local Govt. given mandate to build a rural production base by the Central Govt. (Yushuf and Kumar /96)

Unni (1997), reviewing the employment and wages among rural labourers found that the tendency of real wage rates to rise observed in the mid 1970s to the mid 1980s is not sustained in the agricultural and non agricultural sector. Instead, real wage rate in agriculture has tended to stagnate and those in non agriculture tended to decline in the 1990s. Therefore, the current euphoria with the observed shift of work force to the non agricultural sector might not be well founded and the infamous distress hypothesis may not be quite well and truly buried yet.

Raghaviah (1998) pointed out that a prosperous agriculture can effect rural non farm sector in two ways — (a) it generates a surplus income which can be reinvested in non farm activities, and (b) the surplus income so generated can raise the effective demand for manufacturing, trade and service sector. There is also possibility of distress entry into rural non farm sector due to non availability of alternative avenues of employment.

Parthasarathy and Reddy (1998) pointed out that the growth of rural non farm employment has been increasingly attributed to the
production and consumption linkages that agricultural growth created under the impetus of green revolution. Experience in developing countries like India has shown that backward linkages have not been adequately operative and forward linkages in terms of generation of employment in processing industries were prominent. Therefore, consumption demand induced linkages are considered the main factor fostering inter sectoral relationship, since with the size in income of producers, a greater part is spent on non agricultural goods and services which stimulates production and employment in these activities.

According to Agarwal (1998) to capture the essence of rural employment it is necessary to focus on the association between the increase in the role of industrial activity and the basic conditions in the agricultural sector. These two sectors are intimately related in the development process of a national economy. Industrial development can come either as a result of agricultural prosperity or it can, at best, accompany the later. Without a substantial increase in the purchasing power of the people engaged in agriculture, it is futile to think of a sustained increase in the demand for industrial or non agricultural goods and services.

Analysing the state wise data on growth of non farm sector Parthasarathy, et. al. (1998) pointed out that only eight out of fifteen states, showed consistently positive growth rate when rural males
alone are considered. If males and females are taken together only five states showed stable growth of non agricultural workers. In case of growth of rural male employment in non farm sector, the most significant explanatory variable turns out to be current daily status unemployment, suggesting distress induced growth of non farm sector.

Chawla (1999) suggests that the growth of non farm activities in the rural areas is symbolic to economic development and hence adequate investment is needed in these activities to generate employment potential and income.

According to Nagaiya (1999) states which have shown relatively fast growth in employment in the rural non farm sector are generally ones which recorded a relatively better growth of agriculture.

Reddy and Sudhakar (2000) pointed out that the real wage rates in agriculture increased slowly and steadily from the mid 1970s to the mid 1980s. According to them, increase in the real wage rate in agriculture shows an excess demand for labour force over its supply in this sector. This implies that there is no pushing out or compulsion at work for agricultural labourers to spill over to non agricultural activities creating a distress led employment in non farm sector. If the non farm activities are distress induced, the wage rate in agriculture should have declined indicating less demand for labour over supply. Again, excess labour inflow into rural non farm sector should have also resulted in an absolute fall in real wage. However, distress movement of labour force
into rural non farm sector due to lack of employment elsewhere cannot be completely ruled out. Therefore, the debate on whether the growth of non farm sector is distress diversification or not remains inconclusive.

Reddy (2000) observed that the families, operating small farm and landless workers obtain substantial share of their total income from non agricultural sources. The indirect employment gains generated by agricultural growth have the potential to touch a wide range of occupational groups within the poor segments of the society, ensure lucrative returns and managerial skill. Again, strong household links to the rural non farm economy help to alleviate problems of rural unemployment and also contribute to reduction of income inequalities and malnutrition.

Raghaviah (2000) pointed out that in Kamrup district rural non farm products are marketed through two channels, namely, rural markets and semi urban centres. According to him most of the micro enterprises are small own account enterprise and yet, found to be profitable and achieved long term profitability.

Hirwary and Roy (2000) pointed out that the non farm sector was revealing some promising pictures with significant positive growth during 1996–2000. All non farm component was showing positive growth in the number of persons engaged. Highest compounded growth rate was recorded in construction followed by small scale
village industries, services, shop keeping and transportation. The overall growth of employment in non farm sector was measured as 12.84 percent during 1996 – 2000.

Examining the factors, which encourage and affect non farm employment Gordon (2000) found that poor rural people seek livelihood in the non farm sector to supplement seasonal and inadequate agricultural income, and to take advantage of opportunities arising out of non farm sector. According to him, household based activities in the non farm sector are particularly important for the rural poor including women.

NABARD (2000–2001) stated that there are several direct and indirect benefits accruing to the economy from 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. Industrialisation in rural areas could produce inputs for the agricultural sector, increase its productivity and add value to agricultural produce through localised processing and in turn generate surpluses for investment in agriculture, non agriculture and social sector. Further, most of the industries in rural areas are environment friendly.

Soundarapandian (2001) observed that rural industries have generated employment to 47.97 lakh persons in 1996–1997 as against 37.21 lakh persons in 1992–1993. The performance of employment
generation has been continuously increasing over a period of five years. During this period agro and food based industries have generated large amount of employment opportunities to rural people. It has contributed 47.72 per cent of employment generation in rural industries.

Oberai and Chadha (2001) observed that in a situation of supply demand imbalance in the labour market, the usual approach is to turn to labour intensive techniques of production, so that more jobs can be created per unit of capital invested. However, lack of labour market flexibility and the pressure of international competitiveness sometimes encourage the use of capital intensive technology, for which employment elasticity with respect to output goes on declining. Moreover, in recent years, incremental capital output ratios have also been steadily increasing and that too, has added, indirectly, to the difficulty of expanding employment at a faster rate. Therefore, instead of relying upon growth of GDP being the source of job creation, efforts at the level of individual economic sectors must be intensified.

Kar, et. al. (2001) found that the recent pattern of change in the sectoral distribution of work force away from agriculture can not be interpreted as declining dependence of the rural working population on agriculture. At the most, it perhaps reflects only a change in the relative importance of non agricultural activities and, that too, induced by general improvement in agricultural productivity.
Hasim (2001) was of the view that growth helps poverty alleviation, which is sourced upon those sectors of the economy or those activities, which have a natural tendency to involve the poor in their expansion. Therefore, it is important to source a large part of economic growth in agriculture, in rural non agricultural sector as well as an export strategy based on labour intensive exports.

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 organised sector of the state. Therefore, employment generation in the organised sector of the state has been declining. For example, in one single year between 1996 and 1997 employment in organised sector in Assam fell by 7 per cent from 1.18 million to 1.10 million. In view of the above the informal sector has to step in to absorb the pressure of the expanding army of job seekers.

A study of Nagarain village conducted by Roa and Revathi (2001) shown that female work force rises in the case of household sector and male labour force rises in the non household sector. This change in the workforce structure was basically non farm led backed by agricultural surplus generated by extensive irrigation, shift in cropping pattern and HYV technology.

According to Raja (2002) the most important factor affecting non farm employment was found to be education followed by migration,
low return ability in farm, higher income prospect in non farm sector, availability of employment opportunity and higher social status. Non farm was found to be significantly correlated with population and natural problems. He observed a high degree of correlation between high non farm income and low farm return on the one hand and land and population on the other.

Patnaik (2003) pointed out that as compared to 1993–1994, there has been absolute decline of number employed in agriculture by 5 million in 1999–2000. Therefore, over this period employment growth in agriculture has been negative and the situation is bound to worsen further. This total collapse of employment in agriculture has been mainly the outcome of reverse multiplier effects of the sharp fall in developmental expenditure in rural areas.

Vadyanathan (2003) observed that agricultural employment has increased much slower than agricultural output partly because of the spread of mechanisation. Overtime, this tendency seems to have intensified. The share of wage labour in total rural labour force has increased rapidly as against virtually stagnant agricultural employment. On the contrary, non farm employment has risen at a surprisingly rapid rate during 1970s and 1980s and real wage rates everywhere risen.

Sheela, et. al. (2003) observed that the rural non farm activities constitute an important source of income for the poor in developing countries which are characterised by problems like mounting
population pressure, diminishing land frontier, small and fragmented land holding and high incidence of unemployment. The non farm activities provide supplementary employment to the small and marginal rural households especially during the slack session. Thus, in determining the total employment and income status of small and marginal households, non farm activities have a place of great significance in a rural society.

Kapila (2003) was of the view that there has been a relative deceleration in the performance of agriculture during the nineties despite favourable monsoons, increase in net irrigated area and positive terms of trade. The decline in public investment and the limited infusion of new technologies may have contributed to the poor performance of agriculture. Still then Indian economy maintained and attained a high GDP growth indicating the fact that economic growth is less vulnerable to agricultural performance.

Chidambaram and Stephen (2003) pointed out that increasing pressure of population on land has resulted in surplus of labour in rural areas. As agriculture alone cannot absorb the entire surplus labour force, there is necessity of rural industries. Rural industrialisation aims at the maximum productive employment of local resources, the revival and development of traditional industries and skills, establishment of new units, integration of agricultural and industrial development in rural areas for providing increasing employment to local people. It also adds
to local prosperity, narrows the disparities between rural and urban income and prevents migration of rural population.

Chadha (2003) pointed out that, income and employment restructuring can occur in varying combinations, but the most common empirical experience is that agriculture's share in national income declines sharply as compared to proportion of work force involved in agriculture. As a result, per worker earning of those staying back in agriculture keeps on sliding in relation to that of those getting absorbed in diverse and upcoming non farm activities. If rural development is accorded due priority, crucial elements of agricultural infrastructure are adequately provided for, agricultural output, employment and incomes grow apace, and by the same token much success is pre assured for the development of non farm sector. Further, a well-developed infrastructural network may attract a variety of non farm activities from outside, greatly enhancing the two-way flow of economic activities between rural and urban areas.

Bhalla and Hazell (2003) found that in rural areas during the over all period 1972–1973 to 1999–2000 and during the all sub periods, the growth rate of employment in the non agricultural sector was appreciably higher than in agriculture. This is indicative of a gradual diversification of the economy away from agricultural to non agricultural sector. This increasing diversification of the rural economy has helped to offset the declining growth of employment in agriculture.
In fact, it may have been one of the driving factors leading to lower employment elasticity in agriculture. Again, wages in non agricultural occupations are now significantly higher than in agriculture. This suggests that the shift in agriculture to non agriculture is not a distress phenomenon (EPW/2003)

According Jha (2003) the process of diversification of rural labour from agriculture to non agricultural informal economy in developing countries caused by push factors due to non availability of chances of absorption in the so called formal secondary and tertiary sectors. The most common experience in developing country of the world is that industrial output witnessed rapid growth but growth of employment in modern industries have been far from impressive.

Pushpangadam and Shanta (2004) concluded that the process of globalisation has accelerated the trend towards informalisation of the economy in India. Its contribution to the economy is around 62 per cent and is growing faster than the organised sector. Within unorganised sector both agricultural and non agricultural segment contribute almost equally. But the non agricultural segment is growing much faster than the agricultural segment. More specifically growth rate of agricultural segment is 3.4 percent and that of non agricultural segment is 4.6 per cent.

Panda (2004) observed that the rural economy of Arunachal Pradesh has experienced a continuous sectoral shift in favour of non
farm employment during the period 1971–1991. During this period the share of rural industrial sector employment has experienced a modest increase and much of this increase has happened in the non household industrial sector, making the household sector virtually a non entity.

Das (2004) suggested that Khadi and Village Industries Board of Mizoram should initiate steps for promoting agro - based and forestry 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 centres in search of employment.

Chaturvedi (2004) observed that impact of modernisation has almost failed to percolate down to non farm sector of rural artisans, as regarding most of the rural artisans are struggling at present for survival. The rural artisans are facing problems like illiteracy, lack of adequate accommodation, lack of infrastructure, non-availability of raw materials, lack of improved tools and technology, lack of finances, exploitation by middlemen and lack of proper training etc. These problems can be suitably addressed with a missionary zeal, through which problem of rural unemployment and sustainable growth can be easily resolved.

According to Agarwal (2004) off farm migration leads simultaneously to an increase of income in rural sectors and to development of non agriculture. As economies develop the share of
agricultural labour to total labour force falls. Due to departure of more people from agriculture, the economic base of non agriculture increases.

Venkateswarlu (2005) pointed out that in comparison with rural India, the rural Andhra Pradesh has maintained high share of non farm employment among persons from 1961 to 1991 but by 2001 rural Andhra Pradesh has lost its edge particularly among females. At every point of census, the work participation rates among persons are higher in Andhra Pradesh than those in all India. During 1991–2001 the growth rates of rural on agricultural employment among persons have recorded substantial increase, which has led to the rise in the respective share of non agricultural employment in between 1991–2001.

Samnaih and Madhavi (2005) observed that number of units in the unorganised manufacturing sector as well as the number of jobs in this sector has increased in 2000–2001 both in rural and urban areas. The total number of units in the unorganised sector has increased from 145 lakh in 1994–1995 to 170 lakh in 2000–2001 and the number of employed has gone up from 332 lakh to 371 lakh in the same period.

Down to Earth (2005) reveals that industries with high investment generate very little employment, for instance, the refined petroleum products sector which has the third highest investment, generate the least employment that is, 0.007 person per Lakh of
investment. On the other hand, the mining and quarrying sector with low investment has an employment generation rate of 1.3 person per lakh of investment. In terms of wages, too, the so-called big sectors do not help people. The tobacco industry carrying substantial profits amounting to 26.9 per cent of its turnover is the second lowest paymaster, that is, Rs. 1530 per employee per month.

Review of literature suggests that there are close linkages between agriculture and rural non-farm sector. The greatest stimulant for the growth of rural non-farm economy is prosperous agriculture as it provides necessary inputs for agricultural processing industries and creates demand for various kinds of goods and services produced by non-farm sector. Similarly, agricultural growth generates income surplus, which translates into demand for all kinds of consumer goods and services. The surplus labour released from agriculture consequent upon its mechanisation can be gainfully absorbed in the growing rural non-farm sector. Again, the problem of underemployment and insufficiency of income in farm sector can be supplemented by non-farm activities in rural areas.

A variety of factors have been identified in the literature as the determinants of rural non-farm sector. For analytical purpose, these factors can be clubbed into following three broad categories:

(1) **Pull factors:** Caused by agricultural growth and interlinkages between farm and non-farm sector.
(2) **Push factors:** Caused by distress in agriculture, such as, low wage, lower absorbing capacity, marginalisation of holdings, seasonality of farm sector etc.

(3) **Other factors:** Influenced by urbanisation, literacy, commercialisation of agriculture, availability of infrastructure etc.

Various studies relating to rural non farm sector suggest that in recent years, the rural economy of the country is diversifying away from agriculture to non agriculture being the alternative source for providing employment opportunities to the growing rural labour force.

Yet, studies, which have been more analytical and have tried to focus on the size, nature, determinants and constraints of rural non farm sector are few and far. Any attempt at improving the quantity and quality of activities undertaken within rural non farm sector needs more micro level data and analysis. There is also necessity of highlighting the importance of this emerging sector through intensive and comprehensive investigation in the interest of accelerating the process of diversification of rural employment.

Hence, this study is induced by the need to examine the size, nature, composition and determinants of rural non farm sector and to ascertain its linkages with other sectors of economy and to analyse the significance of rural non farm sector in respect of generation of income and employment in Nalbari district and the State of Assam.
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