CHAPTER –II

REVIEW OF LITERATURE

1.2 Introduction

Literature review is a body of text that aims to highlight the critical points of current knowledge and of methodological approaches on a particular topic. It aims to bring the reader up-to-date with current literature on a topic and forms the basis for future research that may be needed in the area. A well-structured literature review is characterized by a logical flow of ideas, current and relevant references with consistent, appropriate referencing style, proper use of terminology and comprehensive view of the previous research on the topic. This chapter provides a sketch of available related studies arranged logically at international and national levels.

2.2 Review of Literature

Daniel C. Clay et.al (1988)\(^1\) indicated that 47 percent of farm households in Rwanda engaged in some form off-farm employment. Time spent by the

\(^1\) Daniel. C. Clay et.al (1988), “Inequality and the Emergence of Non-Farm Employment in Rwanda”, Dept. of Sociology, Michigan State University, East Lansing, Michigan, U.S.A.
farmers in artisan activities was the heaviest in the construction industry. Nearly 80 percent of the off-farm employment was held by men.

Ravi and Modi (1992)\(^2\) observed that the introduction of new technology will create more non-farm employment and generate additional income to the surplus labour. Labourers, who were not directly observed into more productive agricultural jobs, may be absorbed indirectly into non-farm jobs industry directly or indirectly related agriculture.

Gupta G.B (1993)\(^3\) revealed that a number of weavers were employed and a number of women artisans were also getting employment along with the weavers. However, they were being exploited by the middlemen/master weavers. The recovery of loan installments was better in power loom than other sector loaning by the PCARDBs. Training of the technical personnel was identified as pre-requisite to undertake NFS activities by the banks.


Peter Lanjouw, P.Shariff, A. (1993)\(^4\) conducted a study among 32,000 rural households across India. In this study, it was found that non-farm incomes accounted for roughly one third (34 percent) of household income in rural India on average, with considerable variation across population sectors and between States. Education appeared to improve the prospects of non-farm employment. Women were able to get lower income from non-farm activities. Those with larger per capita land holdings were most likely to find non-farm work, yet on average had lower non-farm income.

Mridul Eapen (1994)\(^5\) revealed that the employment structure in rural areas of kerala did not show any significant overall improvement due to NFS, but rural prosperity had increased among casual workers.

Chadha G.K. (1994)\(^6\) conducted an employment and poverty household surveys across three States of differing levels of development: Bihar considered a


backward region; Andhra Pradesh, and agriculturally developed region and Uttar Pradesh, a State with both developed agricultural and non-agricultural sectors. He expressed that a quickly growing and productive agricultural economy is able to promote well developed non-agricultural activity within the village itself. As the economy is developing, the proportion of non-farm income increases among the poor households.

Vissaria and Basant (1994)\(^7\) identified that during the past decade, the share of the rural non-farm sector in the total rural workforce had considerably increased. The trend was more evident among male workers than the female workers. The increase in the non-farm employment was a consequence of an increase in the proportion of casual non-agricultural workers. Participation in RNF employment is inversely proportional to the size of household landholding.

Jemol Unni (1996)\(^8\) expressed that older men specialize in agricultural activities and better educated men specialize in non-agricultural employment in the selected 30 villages of Gujarat. High population densities and proximity to


rural towns (markets) also foster such specialization. Many more women engage in casual and part-time work, particularly concentrated in the agricultural labour sector. RNF sector may be particularly important for women by drawing them away from poorly remunerated agricultural work.

Saleth (1996)\textsuperscript{9} investigated the benefits of non-farm growth. He remarked that households who benefited from non-agricultural employment may not necessarily reap the benefits of the non-farm sector. For example, large landless households with cattle, benefit from non-agricultural employment whilst wealthier households, which are able to invest in better education, benefit from access to non-agricultural activity having higher economic returns. This further demonstrates the potential response to growth opportunities available to better-endowed groups, whilst distress factors like unemployment commonly mediate the non-agricultural activities of the poor.

Atul Mishra (1996)\textsuperscript{10} revealed that the employment in the RNFE was high in States where green revolution (Punjab and Haryana-26 percent) or land reform (Kerala and Bengal-26 per cent) had taken place. But it was low in the States


where neither green revolution nor land reform had taken place (Bihar 11 per cent). However, regions of green revolution or land reform together contributed less than 25 percent of the cultivable areas. Most of the rural population was living in areas where neither green revolution nor land reform had taken place.

A study on social institutions and structural transformation of the non-farm economy conducted by Jayaraj D. (1997)\textsuperscript{11} confirmed that there was growth of rural non-agricultural employment. RNFS also boosts rural industrialization and entrepreneurial culture.

Islam (1997)\textsuperscript{12} revealed that the factors that lead to distress-push participation in the RNFE include successive droughts that depress income and hence increase the need for alternative sources of income, usually through low skill jobs. Factors that lead to demand pull diversification include the increased income of lower and middle-income households and increased demand from urban areas for rural products.

\textsuperscript{11} Jayaraj, D. (1997), Social Institutions and the Structural Transformation of the Non-Farm Economy, in Barbara Harrish White and S. Janakarajan, (Eds) \textit{Rural India Facing the 21\textsuperscript{st} Century}, Anthem Pre Publication, New Delhi.p.191.

Kishor.C.Samal (1997)\textsuperscript{13} opined that equal distribution of land and rural assets including common property resources and water for irrigation and RNFS activities are positively related through consumption expenditure linkages.

Gopalappa (1997)\textsuperscript{14} found that the spread of RNFS in rural areas was due to distress factors such as land-man ratio and cropped area. The literacy rate, people’s awareness, willingness to work and the availability of infrastructure facilities also contributed for the spread of RNFS.

Nagaiya, D. (1999)\textsuperscript{15} reported that States which have shown relatively fast growth in employment in the RNFS were generally the ones which also recorded a relatively better growth of agriculture. Symmetry in the growth rates of different sub-sectors within RNFS was also observed in Andhrapradesh.

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Iyampillai S. and Jayakumar N. (2000)\textsuperscript{16} revealed that the relationship between caste hierarchy and the land holding status among the rural households in Trichirappalli District. There was Domination of SC households in casual (Non Farm Employment) NFE including construction activities and the domination of Non-SC households in the regular NFE including govt. jobs, self employment and business. Only 18 percent of the sample households were living below the poverty line earning less than Rs. 11,000 at 1997 prices. Households taking part in NFE earned roughly about 40 percent of their income from NFE. Large land owners got better income earnings from NFE also. Transport facilities appeared to be very strong determinant for raising their level of income.

Nagarajan G. (2000)\textsuperscript{17} reported that Tamil Nadu had highest average amount of NFS loans showing with Rs. 231.957 lakhs followed by Maharashtra with Rs. 215.169 lakhs, Gujarat with 148.57 lakhs and Kerala with Rs. 210.97 lakhs. Analysis of place for NFS loans in the total loans issued reveals the emergence of NFS loans as an important avenue for deployment of funds for DCCBs. There is definite shift towards NFS loans in the selected banks in all


categories of loans. Arrangements for recovery of loans all the selected District Central Cooperative Banks are satisfactory.

Koteswara Rao (2000)\textsuperscript{18} expressed that rural non-farm sector in India has witnessed a steady expansion during the last two decades. The workforces in rural areas are gradually shifting from low productive agricultural jobs of various types partly in rural areas themselves and partly in urban area. Nearly one fourth of rural male and about one-sixth of rural female workers were engaged in different types of non-agricultural activities. The mode of employment is also undergoing significant changes.

Sidhu R. S (2000)\textsuperscript{19} reported that the main reasons accounting for the occupational shifts at micro-level from agricultural to non agricultural jobs was due to sharply declining employment potential in regions with high out growth. One percent growth of farm output was found to be as low as 0.00, 00.7 and 0.19 in Punjab, Haryana and Uttar Pradesh. It was due the labour substitution to the high agricultural growth regions. Technological and organizational changes in agriculture are largely responsible for this; second the diversification of the rural

\textsuperscript{18} Koteswara Rao, M (2000) “Rural Non-Farm Employment in India: A Note”, Koteswara Rao (ed.) Rural Employment the Non-Farm Sector, Deep and Deep Publication, New Delhi,

economy into non-agricultural activities under the process of development. Third improvement in literacy and vocational training converting the rural under employed into openly unemployed seeking jobs outside agriculture.

Sudhakar Reddy, E. (2000)\textsuperscript{20} viewed that rural non-farm employment was distinguished from the programme for industrialization required a separate strategy in terms of its procedures and provisions, method of implementation and administration. RNFS was more broad based compared to rural industrialization. This needed to be built into the programme for rural non-farm sector

NABARD (2001)\textsuperscript{21} conducted a study on Rural Non-Farm sector in Ludhiana and Sangrur districts of Punjab during 1999-00 covered PCARDBs, Commercial Banks, RRBs, and State Cooperative Bank. The study revealed that total recurring employment created by the sample NFS activities was 507,830 man days with average potential of 25,883 man days per unit. Around 30 percent of the sample borrowers repaid their loans regularly.


Ramachandraiah, G (2001)\textsuperscript{22} identified the institutional and infrastructural impediment in rural industrialization in Dindigul District. Since the enterprises had good resource base, their success rate was found to be very high. 90 percent of the enterprises were working very well.

Junior Davis and Douglas Pearce (2001)\textsuperscript{23} indicated that lack of money for further investment was a major constraint, especially among small firms complaining of poor access to credit in Central Eastern Europe.

NABARD (2001)\textsuperscript{24} conducted an ex-post evaluation study on rural non-farm sector in Ludhiyana and Sangrur districts of Punjab. This study reported that the recovery percentage of RNFS loans in sample banks were 89 percent in Ludhiyana and 85 percent in Sangrur district during the year 1998. Effective monitoring and follow-up was reported to be the main reason for higher percentage of recoveries.

\textsuperscript{22} Ramachandraiah, G. (2001), \textit{Institutional and Infrastructural Impediments in Rural Industrialisation in Dindigul District, Tamilnadu}, National Institute of Rural Development, Research Report Series No43, p.23


\textsuperscript{24} NABARD (2001), \textit{An Ex-post Evaluation Study on Rural Non-Farm Sector in Ludyan and Sangrur District of Punjab}, Evaluation Study Series No.7, NABARD, Regional Office Chandigarh, p.75.
Metha G.S (2002) examined to the structure, growth, development potentials and the kinds of problems existing in the properly functioning of various non-farm activities in the State of Uttaranjal (India). The study highlighted that nearly one-third of the non-farm activities were traditional by nature and were established over three generations ago. The family members of the non-farm households motivated 42 percent of the entrepreneurs for establishing non-farm activities. And around 23 percent of the entrepreneurs were motivated by their friends and relatives and remaining only 3.04 percent of the entrepreneurs have decided to establish concerned non-farm activities after motivating them by the Government. Non-farm activity was found to be a very profitable occupation in the rural areas. The margin of all non-farm activities together was estimated to be around 42 percent.

Jayaraman et.al (2002) observed that employment generation according to the size of investment under the broad activity group showed that the manufacturing units generated higher additional employment in man days, which was followed by service units, trade/business units and agro-based units.


A study conducted by Jayasheela et al, (2003)\textsuperscript{27} found that non-farm activity has been immensely helpful for the villagers as it not only provided employment but also good income all the year and checked migration to a large extent.

Maitreyi Bordia Das (2003)\textsuperscript{28} found that non-farm self employment was not the preferred option of better educated and high status workers. Instead, it comprised individual with low level of education working in low status occupations.

Tiago Wandschneider and Junior Davis (2003)\textsuperscript{29} specified the best practices and strategies for promoting rural non-farm employment through project intervention. Access to credit was found to play a crucial role in successful enterprise development and household diversification into non-farm activities in India and Bangladesh.


NABARD (2003)\textsuperscript{30} has undertaken an evaluation study on District Rural Industries Project in Tirunelveli District of Tamilnadu. This study found that recovery of loans under RNFS was good in the case of PCARDBs and RRBs but not satisfactory in the case of Commercial banks when compared the recovery registered under agricultural loan.

Peter Lanjouw and Abusaleh Shariff (2004)\textsuperscript{31} viewed that non-farm incomes account for roughly one third of household income. However, non-farm employment probabilities and earnings find strong evidence on education in determining access to non-farm occupations. There was clear evidence that education improves prospects of finding non-farm employment.

Premaratne, S.P. and S.M.P. Senenayake (2004)\textsuperscript{32} observed that education and infrastructure facilities were widely recognized as very important determinants of access to non farm income generation activities in the rural areas. The positive link between literacy and number of non-farm enterprises in

\textsuperscript{30} NABARD (2003), An Evaluation Study on District Rural Industries Project in Tirunelveli District of Tamilnadu, NABARD, Regional Office, Chennai, p. 49.


the villages seems to be the result of increased awareness and aspiration among literates about new and better models of livelihoods.

NABARD (2004)

conducted a study on Rural Non-farm sector activities in Kollam and Allapuzha Districts of Kerala. The activities covered were Fish Processing, Concrete Works, Mat Making, Furniture Making, Brick Manufacturing and Common Catering. This study reported that the highest number of man days of employment generated (960 male + 160 female) was found in Brick Manufacturing Industry. It was observed that the repayment performance in smaller investments, ie., Concrete Work, Fish Processing and Mat Making was better than those of bigger investments, ie., Furniture Making, Brick Manufacturing and Multi Catering Units.

NABARD (2004)

conducted a study on Employment Generation, Health and Sustainability of RNFS units in Shimoga District, Karnataka. The study covered 146 units financed by Sahayadri Grahmin Bank, KSCARDB, Shimoga DCCB and Commercial Banks. The study revealed that the handicrafts units

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generated 10,848 man days of employment during the study period followed by 56,482 man days by Manufacturing Industry 45,698 man days by Agro based Industry, 60,425 man days by Service Industry, and 40,050 man days by Retail Trade/ Small Business.

Mahabub Hossain, (2004)\textsuperscript{35} pointed out that the RNFS had been expanding and become a major component of the rural economy. The share of non-agriculture in rural household income had grown from 36 per cent in 1982 to 42 per cent in 1987 and further to 54 per cent in 2000. The share of non-agriculture in rural employment had increased from 34 to 52 per cent and 1987: 2000 in Bangladesh.

Engs Asim I. Osmani and Syed Haider Abbas Zaidi (2004)\textsuperscript{36} indicated that the share of agriculture income to total household income came down from 58 per cent in 1999 to 46 per cent in 2003 in Pakistan. But the non-agricultural income shot up from 42 to 54 per cent during the same period of time. The growth in rural incomes over 1999-2003 was on account of the non-agriculture sector.


Ajantha. B. Rajkonwar (2004)\textsuperscript{37} made an attempt to examine the cluster approach for rural industries development. According to him, the local community gains directly and indirectly from the institutions due to increased local employment and more business opportunities and the success resides with the innovative entrepreneurial skills in all NFS activities.

NABARD (2004) has undertaken an-ex-post evaluation study on RNFS activities in Kollam and Alappuzha districts of Kerala. This study found that the repayment of RNFS loans was appreciable for smaller investment activities covering below Rs.50000 to Rs.100000. These activities include fish processing and mat making. Wilful defaulters and improper follow up action taken by the banks for recovering the overdue were some of the reasons for the poor recovery.

NABARD (2005)\textsuperscript{38} conducted an ex-post evaluation study on RNFS in Andhra Pradesh. The study found that credit flow to RNFS has increased over the time due to insufficient and irregular orders (fashion technology), weaning


\textsuperscript{38} NABARD, (2005), “Study Report on Rural Non-Farm Sector Investments in Andhar Pradesh”, NABARAD’s Regional Office, Hyderabad.
away of the members from the group by private traders (coir mat) and non-utilization of the machines (coir rope).

Ranjit Singh Ghuman (2005)\textsuperscript{39} viewed that a holistic approach towards the development of rural economy was sine qua non. It would include efforts to raise both farm and non-farm rural income through industrialization, provision of quality education, health, housing and other related social services. Growth and development of RNFS was possible only with the emergence of rural-based, rural-linked, rural-based urban-linked and urban-based rural linked enterprises/activities.

Nagendra Babu, K. (2005)\textsuperscript{40} found that recovery in non-farm sector to total loans and advances was 227.06 percent, in 2003. It was good when compared to farm sector recovery in Regional Rural Bank which stood at 50.97 percent.

\textsuperscript{39} Ranjit Singh Ghuman (2005), Rural Non-Farm Employment Scenario – Reflection from Recent Data in Punjab, \textit{Economic and Political Weekly}, Vol-XL No.41, October, pp. 4473-4480.

Biradhar, R. A. and Rajasekar, D. (2006) who studied agrarian structure and occupational diversification in rural Karnataka found that there was occupation shift from agriculture to non-agricultural activities from 1981 to 1991 census. The non-agriculture employment had increased in sub sectors.

NABARD (2006) undertook an ex-post evaluation study on RNFS investment in Bhilwara District of Rajasthan. This study revealed that the repayment performance was excellent at 92.2 percent. The excellent repayment performance was due to the manufacturing and service activities financed by the banks. The defaulters accounted for 46 percent to sample size. The wilful default was reported by 35 percent of total defaulters.

According to Sankar Kumar Bhaumik (2007) analysed the growth rates of farm and non-farm employment. He found that, at the all India level, the growth rate of non-farm employment was high in the post reforms period when

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the growth rate of farm employment was low. Further he found both in the pre and post reforms period, most of the states that enjoyed high growth rates of non-farm employment also suffered from low growth rates of farm employment. Consequently the rank correlation coefficient between ranks of growth rates of farm and non-farm employment turned out to be negative in both the periods. This means that the rural workers flocked in the non-farm sector for employment whenever the prospects of farm employment dwindled, in the present phase of agrarian crisis in India.

2.3 Conclusion

The above studies have revealed the importance of NFS, occupational shift from farm sector to non-farm sector and linkages, growth of NFS and its impact, level of NFS employment and factors influencing the growth of NFS. But these studies have failed to measure the impact of NFS on the business of banks especially PCARDBs. In the pursuit of maintaining consistency and continuity, there is dire a need for regular surveys so that it is possible to outline the existing gaps, and future studies are to be pursued accordingly. Bearing this in view, the researcher attempted to address the above said issues in the present study.