CHAPTER - VII

SUMMARY, CONCLUSION
AND
SUGGESTIONS
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Introduction:

In this chapter an attempt is made to summarise the entire study in brief. And also some important conclusions are drawn from the study. Based on the conclusions some suggestions are made at the end of the chapter as a guide to policy makers and financial institutions.

I. The main objective of economic development is to exploit and harness the natural resources of the country to provide employment and income to all able bodied working population and to raise the standard of living. It is with this purpose planning was undertaken in our country. It is often believed that through rapid industrialization the burden on agriculture would be reduced and thus surplus population gets transferred to industrial sector, as a result the productivity in both agriculture and industrial sector would increase and thus increase the income of the people over the years. Kuznett suggested that the dominant agriculture sector would be receded into the backward and industrial sector would be in the front, absorbing much labour still later the tertiary sector gets prominence. In every developed economy agricultural sector
occupies a tiny place and the service sector (tertiary) occupy major place. In USA only five per cent of population is engaged in agriculture about thirty five per cent in industry, while remaining fifty to sixty per cent in service sector.

In the Indian economy the share of agriculture in the national income has gonedown but the dependence of population on agriculture has correspondingly not gonedown. This has created a problem of surplus population for agriculture sector since the secondary and tertiary sectors have not adequately developed. The role of non-farm sector becomes important to reduce pressure on agriculture and also arrest exodus of rural population towards urban areas.

The occupational structure of the Indian economy has not followed the GDP growth rate which is declining steadily. More than two-third of the working population derives its subsistence from agriculture, non-agriculture sector absorbing less than one-third of total working population. The expansion of non-farm sector has been quite uneven among individual states, e.g, the states where non-farm employment for male workers expanded at a faster rate especially during the 1970s and 1980s are Punjab, Haryana, Gujarat, Himachal Pradesh, Rajasthan and Tamil Nadu. The states witnessing a modest expansion are Karnataka, Maharastra, Orissa and West Bengal. It has been experience of a slow expansion, in
other states most notably in Bihar, Kerala and Madhya Pradesh. In a fairly general way the above pattern seems to suggest an intimate relationship between fast agricultural growth and high non-farm expansion.

Non-farm sector has not been clearly defined, the whole concept is quite vague and not clear. Hence, in the present study the non-farm sector is considered as one where in more than half of the total income is derived from the activity other than agriculture. In light of this concept the present study aims to identify the non-farm activities which could ensure continuous employment and income to the rural non-farm households. India is a diversified economy there is need for identifying the non-farm activities having strong backward and forward linkages. The non-farm activities in the fast suffered due to lack of adequate finance at reasonable rate of interest, as such they did not play any important role either in employment generation or increasing the income levels. Today due to the efforts of the Government during the plan periods number of financial institutions have emerged in the rural areas which are giving funds at a low rate of interest both for farm and non-farm activities. Hence, the present study is to examine the role of institutional finance in promoting non-farm activities.
II. The non-farm activities require finance at various stages, like purchasing of land, construction of building, buying machinery and other equipments, buying raw materials paying wages to labours, marketing etc. Hence, they need both fixed capital and working capital. In order to meet these financial requirements the financial institutions have been established by the government, as a result there is a scope for development of non-farm activities in rural areas.

Funds are available now either for starting a new activity or for expansion of the existing activity. In addition some of the activities will also get subsidy from the government, the rate of interest as well as the methods of repayment is convenient to the borrowers. Therefore, the non-farm activities have got sufficient scope for their development in the rural areas. In view of this, it is felt necessary to examine the role of financial institutions in promoting the non-farm activities and also to assess to what extent there is growth of these activities in rural areas.

III. The review of existing literature regarding research studies on non-farm activities reveals that, most of the studies have focussed their attention mainly on non-farm employment and have tried to examine the factors influencing the employment in the non-farm sector. They have shown that many a time the literacy, nearness of the urban centers, proportion of commercial crops to gross cropped
area male and female labour participations, skills etc, are the dominant factors. Some of the studies have even highlighted the role of self-employment schemes introduced by the government in promoting non-farm employment in rural areas. These studies have failed to analyse specifically the role of financial institutions in developing non-farm activities. They have also failed to examine the role of non-farm activities in creating more employment opportunities in the rural areas and also the income generation. They have also not studied the problems and prospects of various non-farm activities in villages. Hence, none of the studies have made any suitable recommendations either to the financial institutions or to the government, which are basically concerned with the promotion of the non-farm activities in rural areas to eradicate the twin problems of unemployment and poverty. Keeping in mind these failures of the previous studies the present study is undertaken. In our opinion the present study is more comprehensive with definite objectives and also it is more relevant to the policy makers and financial institutions.

The present study is based on both primary and secondary data. The primary data is collected through structured schedules canvassed among the respondents engaged in non-farm activities. While secondary data is collected from village Panchayat and various financial institutions which have given loans to non-farm activities. Dharwad district is selected for the present study, it
consists five taluks. From each taluka, two villages have been selected, while selecting the villages care has been taken to see that one village will be nearer to taluka head quarter and other village will be away from the taluka head quarter. The villages so selected should have financial institutions with all infrastructure facilities having less than 10,000 population and existence of the non-farm activities.

The rural non-farm activities, which are selected for the study are broadly divided into two categories viz., Traditional and Modern. Traditional activities have been defined as those activities, which are hereditary and caste-based in nature. They generally use primitive methods of production. They lack necessary training, the new entrants generally depend on their family for learning skills. In these activities productivity is mainly dependent on the skill and devotion of the worker and not on the supplementary factors like tools and implements and they need less infrastructure. As against this Modern non-farm activities are not hereditary, productivity and efficiency are largely related to tools, equipments and processes. These activities have no relationship with caste and institutional facilities for training is generally available, their success largely depends on the availability of infrastructure, they require more capital as compared to traditional one.
They are further sub-divided as manufacturing, service and manufacturing cum-service activities. Manufacturing activities consist those activities, which are involved in producing various goods. The service activities consists such activities which are providing only services, while the manufacturing-cum-service sector consist such activities which are involved in both kinds of work.

**Objectives of the Study**

1. To study the development of non-farm activities in rural areas.
2. To identify the prosperous non-farm activities in rural areas.
3. To study the role of institutional finance in rural non-farm activities.
4. To study the problems of non-farm activities in rural areas.
5. To study the income and employment generation in non-farm activities.
6. To find out remedies for effective functioning and development of non-farm activities.

**Hypothesis**

1. Non-farm sector is not sufficiently developed so as to reduce pressure of population on agricultural sector.
2. There is much scope for development of non-farm sector.
3. Development of non-farm activities depends upon institutional sources of finance.

4. The non-farm activities based on local talent and market are more sustainable.

**IV.** The analysis of socio-economic profile of respondents engaged in both traditional and modern non-farm activities clearly shows that. In the traditional sector, most of the respondents engaged in various activities belong to SC/ST categories. Quite most of them are illiterate, and they do not have any training facility. Their occupations are by and large hereditary. They do not own any landed property. In case of some activities the employment available in seasonal and in case of others it is continuous. It is also found that in this sector there is hardly any hiring of labours. Generally the members of the family will be assisting in the activity, because it is hereditary, they learn the job from elders. And it is devotion and hardwork, which will help them to earn their livelihood. Therefore, respondents engaged in these activities are socially and economically backward.

In contrast to this in the modern rural non-farm sector we, by and large find respondents belonging to other than SC/ST category. They are literate and skilled. They also possess landed property. These activities are not caste-bound and hereditary. Those who have real aptitude and taste towards a particular
activity will be undertaking this work. These activities use more of hired labour than family labour. The nature of employment in majority cases is continuous. These activities are started in the light of modernisation. Naturally the use of modern machines and tools is prominent here. Further, these activities are able to provide employment to educated unemployed youths in rural areas.

V. Institutional finances and its operation between traditional and modern sectors reveals some interesting results. Firstly, as regards the amount of loan majority of the respondents in the traditional sector (75%) have taken loan up to Rs. 10,000 while this proportion is much less in case of modern sector. The loan exceeding Rs. 20,000 is 27 per cent in modern sector, but it is only 6 per cent in traditional sector. This shows that the modern non-farm activities have found more favour with financial institutions than traditional one. This may be due to the fact that modern non-farm activities have greater creditability in getting loans. Secondly, nearly 51 percent of the loans are taken under IRDP in case of traditional sector while in case of a modern sector this is limited only to 22 per cent. The modern sector had preferred to obtain loan under general category i.e. 76 per cent, while this percentage was only 47 in case of traditional sector. Thirdly as regards the adequacy of loan it is clear that in both sectors about 70 per cent of the borrowers have expressed their feeling over the adequacy of loan granted to them. At the same time more or less same
percentage of borrowers (30%) have expressed their dissatisfaction over adequacy of loan. But this over looks the fact that in realistic terms bank finance to modern sector is much higher than that of traditional one. Fourthly as suggested earlier the prospects for modern non-farm activities are better as compared to prospect of traditional non-farm activities. This is evident from the fact that the recovery of loan is far better in case of modern non-farm activities than in case of traditional sector. Full recovery of loan is only 7 percent in case of traditional sector and 16 percent in case of modern sector. About bad debt that is the defaulters is 59 percent in case of traditional sector and only 40 percent in case of modern sector.

The analysis has important policy implications for the financial institutions towards non-farm activities. The traditional non-farm activities are mostly dependent upon beneficiary loan schemes. They are basically not viable units in the context of the present rural sector. The market for their product/service is fast declining due to the various factors, amongst them demonstration effect is playing an important role in the rural areas. The living habits of rural people have undergone radical change. Naturally the products at present do not attract enough market. Today banks are forced to finance them, due to some populist policies of the government, financial institutions are forced to finance such non-viable activities. Modern non-farm activities are gradually
picking up though with initial hurdles they would be viable. The present study has taken only few such activities but it is possible to visualize many more such modern non-farm activities, which can be run viably in the rural economy.

VI. The comparison of the performance of traditional and modern non-farm activities reveals that due to the competition offered by urban industries and their products the traditional manufacturing and service activities are gradually loosing their demand. It is mainly because the modern products are cheaper, good in quality and durable. As such consumers are attracted towards those products. For instance, the demand for pottery products is fast declining due to plastic and cheap metal products. Naturally the traditional activities will be gradually removed from the scene. Same is the case with Cobblerly, Blacksmithy, Carpentry Limeburing etc. As a result we find in these activities the income yield is low and employment generated is not encouraging. The repayment of loans is quite unsatisfactory. Therefore, the financial institutions have to take maximum precaution while lending to traditional non-farm activities. As against this the modern non-farm activities are quite prosperous both in terms of income and employment generation. It is because they are the reflections of urban industries. Naturally they have got the potentiality to withstand the competition of urban industries provided sufficient
capital is made available to them. Therefore banks can liberally finance the modern activities in rural areas.

An examination of the performance of rural non-farm traditional and modern (manufacturing, service, and manufacturing-cum-service) activities reveals some important observations.

Firstly, the rural non-farm activities whether traditional or modern have lead to improvements in income and employment. The income generated in the modern activities is certainly better than in traditional activities. It may be due to better skills of persons engaged in these activities and use of modern tools and equipments. But so far as employment is concerned both categories have shown almost similar performance, though activity-wise there might be some variations. In brief, it may be concluded that the rural non-farm activities have not yet grown to the extent of reducing the pressure of population on agriculture. They have to go a long way in this direction.

Secondly, some of the activities in rural areas have got limited scope for their expansion as they are restricted by rural demand alone. In other words if they try to modernise their activity and improve the design and quality so as to suit the requirements of urbanites, certainly they have got wider scope for development.
This calls for technological innovations in these activities and aggressive marketing strategy coupled with adequate loan facility from the financial institutions.

Thirdly, there are certain rural non-farm activities which have recently entered into rural areas e.g. Electrical shop/repairs, Radio/TV repairs, weldingshops etc, at present they have got limited scope for development, it is mainly because their market constitute only the rural areas. But they can adopt innovative methods and meet the requirements of common man, they have got bright future.

Finally, from the point of view of financial institutions, they should not go always by criteria of income generation, instead they should have a broader objective of the overall development of rural economy, like creating better employment opportunities to the unemployed in the rural non-farm sector and improving the income levels of those engaged in non-farm activities. Of these twin objectives employment generation should be given first priority followed by improvements in income. Therefore the financial institutions have got greater responsibility and role in the establishment and promotion of the rural non-farm sector, because people who are employed in the non-farm sector are economically poor as such they have failed to improve their activity so as to generate better income and employment.
Conclusions and Suggestions

The following conclusions may be drawn from the present study.

The people who are engaged in traditional non-farm activities are illiterate and ignorant. They are socially and economically backward. As a result they are using primitive methods of production. Hence the efficiency and productivity is low. They do not have other sources of income. They do not own any land. Generally the members of the family will be assisting in the activity. They do not hire labours. The main customers of their products and services are farmers. Therefore major part of their reward will be paid in kind. They live at subsistence level. They are so poor and unskilled that they cannot get out of it and take up a new venture or job. Hence they are forced to continue in the same activity, though the demand is falling, in order to earn their livelihood. Therefore, it may be concluded that the people who are engaged in traditional non-farm activities can not come out of it on their own due to certain inherent weaknesses with them, though these activities are highly unattractive and unremunerative. Looking at the present conditions there is need for their total rehabilitation. In other words they need to be trained in respective trades based on their talent, skills and provided with necessary capital to modernise their activity. Therefore, the financial
institutions have to play vital role in this respect. Mere provision of credit to traditional non-farm activities under government schemes will not improve their present economic conditions. There is need for frontal attack on their problems. Therefore, the various problems faced by them need to be studied in detail before undertaking their revival.

The modern non-farm activities on the other hand present altogether a different picture. The people engaged in these activities are literate and skilled. They have got some land. They are socially and economically better off. These modern non-farm activities have appeared in rural areas as a result of modernisation of the economy and also due to changing tastes and habits of rural people. Naturally these activities are newly established and they use modern tools and equipments. The efficiency and productivity is better compared to traditional activities. Most of them have got separate worksheds. The income and employment generated here is more than in the traditional activities. Majority of them have taken up the activity with the help of bank loan. These activities are not hereditary and caste based, anybody can start them. The recovery of loan is satisfactory as compared to traditional activities. The modern activity in order to do better job must adopt aggressive marketing strategy so as to acquire urban market for their products. Then only they can become successful in providing greater employment to ruralites.
Hence, it may be concluded that modern non-farm activities are still in an infant stage. It will go a long way for their development. When they became fully developed they can certainly reduce the pressure of population on land and improve substantially the socio-economic conditions of labours. The traditional activities cannot of course reduce population pressure on land but they can certainly prevent increasing pressure of population on land. Whereas modern activities can reduce the pressure provided there is full-fledged development of these activities. In this context financial institutions can certainly play crucial role.