

Role Of Non-Farm Sector In Rural Development Of Andhra Pradesh - A Study In Ananthapuramu District

Mallesu.B

Research Scholar,
Dept. of Economics & Applied Economics,
S. K. University, Ananthapuramu, Andhra Pradesh, INDIA

Abstract: As Mahatma Gandhi put in that real India lives in villages; even today more than 75% of India's population lives in rural areas/villages. Agriculture is the main occupation of people in rural areas and more than 70% of cultivable land comes under rain fed cultivation and as we know that rain fed cultivation is highly uncertain of its returns. As a result rural people often face droughts & famines with create conditions for severe scarcity food and fodder.

Since rain fed cultivation loss for six months in a year and people depending on have to remain unemployed for six months in a year. This situation calls for immediate measures to create fast develop rural non-farm sector to gain full employment opportunities to rural agriculturists.

The rural non-farm sector covers wide range of activities such as, Grocer shops, Tea stalls, small scale way side hotels, Tailoring, Barber shops, Weaving activity of cloth, Baskets & Mat, Carpentry, Cobbling, Bricks making, Stones braking, Construction activity, Readymade garment activities, Toy making, Flour Mills, Chicken and Mutton centres, Sheep and Goat rearing, Fish catching, Metal utensils, Block Smithy, Gold smithy, Collection and sale of fire wood, Charcoal making, Dobby activity & Ironing, Collection of wild Vegetables etc. All these sectors create large scope of employment opportunities in the rural India. The proposed study attempts to analyse the current status of rural non-farm sector and explore further opportunities that the rural non-farm sector provides for the rural development in Ananthapuramu district.

I. INTRODUCTION

Rural Non-farm Activities (RNFAs) play an important role in developing countries such as India. The term 'Non-Farm' covers all the non agricultural activities, which include manufacturing activities, mining and quarrying transport, trade and services in rural areas. Further the seasonal and contractual employment, which is unconnected with farming activities, is a part of Non-farm Employment [NFE] These activities provide subsidiary employment to small and marginal agricultural households especially during the slack season and these activities can be reduced income inequalities and rural urban migration. The Non-farm sector [NFS] is therefore, method of tackling the problem of poverty and rural unemployment. Interest in rural non- agricultural [non-farm] development has been growing among policy makers and development economists. One reason for this is that economic

development based on large-scale, Urban-concentrated and capital-intensive industries has not had desired impact on employment and equity. Thus, the development of rural non-farm activities [RNFA], forms a part of a general development.

A related reason is the realization that in many developing countries in Asia that there severe limitations on the capacity of the agricultural sector to absorb the existing supply of a rural labour and to satisfy even minimum subsistence requirements of a large proportion of the rural population [shand1983.p.1], increasingly, economists are realizing that their original hope for the "Green Revolution" [i.e. biological-chemical innovations] to solve both production and employment problems in rural areas [as it did in rural Japan] is no longer tenable [Jayasurya and Shand 1983]. This realization comes, in part because of the rapid growth in the rural population which has greatly increased the number of

people that needs to be absorbed, and in part because of the growing evidence that “the government flow of likely innovations are are likely to strengthen the current trends towards low labour absorption in agriculture”[Jaysuriya and shand 1983.p.24]. Given agriculture’s limited capacity to absorb labour, rural non-farm activity assumes increased importance as an alternative or supplementary source of rural employment and income. Another reason for the current interest is the realization that in many parts of the world, rural non-farm activity is surprisingly important and dynamic. Given its importance and its apparent responsiveness to economic opportunities, rural non-farm activity merits special attention in the design of rural and also urban development strategies [Anderson and Leiserson 1980, p.227]. The rural non-farm activities constitute an important category of income for the poor in developing countries which are characterized by problems such as mounting population pressure, diminishing land frontiers, small and fragmented landholdings due to declining land-man ratio and a high incidence of unemployment [Chadha, 1986].

The non-farm activities provide supplementary employment to the small and marginal rural households, especially during the slack season. 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. Here we concentrate on issues such as relevance and positive effects of non – farm activities, size and growth of this sector, factors determining non -farm employment in India and problems faced by his sector, and mainly consider the published and easily accessible studies on non –farm sector in India

The distinct may be divided into 3 natural divisions. They are 1) Northern mandals of Rayadurg, Kanekal, Belugupapa, Gooty, Guntakal, Vajrakarur, Uravakonda, Vidapanakal, Yadiki, Tadipatri, Putlur and Yellanur containing larger areas of Black cotton soils 2) Kalyanadurg, Kambadur, Settur, Brahasamudram, Ramagiri, Kanaganapalli, C.K.Palli, Dharmavarm, Bathalapalli, Tadimarri, Mudigubba, Anantapur, Kudair, Pamidi and Peddavadugur in the center which are mainly treeless and of poor red soils, 3) High level land of Penukonda, Roddam, Somandepalli, Hindupur, Leppkshi, Chilamathur, Madakasira, Rolla, Gudibanda and Agali which connects with Mysore plateau at higher elevation of the rest the district. This part has average sandy red soils of normal productivity.

The soils of the district are predominantly red except in Kanekal, Bommanahal, Vidapanakal, Uravakonda, Vajrakarur, Guntakal, Gooty, Pamidi and vadugur, Yadiki, Tadipatri, Yellanur, Peddapappur and Putlur. In these mandal occur red and black soils almost in equal proportion. Thus, 76 per cent are red soils and 24 percent are black.

Forests in the district account for more than 11.00 percentage and uncultivable land accounts for 12.00 per cent of the total area of the district. Little more than 5.00 per cent of the district area is put to non-agriculture uses and the cultivable wasteland accounts for 2.65 per cent of the total area of the district. Less than 2.00 per cent of the district area is under permanent pastures. Current fallow lands and other fallows together constitute 15.00 per cent of the geographical area of the district. This indicates the intensity of droughts

that forced the ploughed land not sown or planted. It is noted that the net area sown is less than 53.00 percent of the total area of the district in 2006-2007. The district occupies lowest position in respect of irrigation facilities with only 14.98 per cent of the gross cropped area during 2006-2007.

Andhra Pragathi Grameena Bank has the highest branches (81) followed by State Bank of India (34), Syndicate Bank (33), Andhra Bank (25), ADCC Bank (19), Canara Bank (11), Corporation Bank, Karnataka Bank and State Bank of Hyderabad Bank has 6 branches each. Thus, altogether 252 bank branches are there and advances lent to the agricultural sector in to the extent of Rs. 2,33,415 lakhs, SSI sector to the tune of Rs. 21,418 crore and service sector to the extent of Rs. 51,133 lakhs.

In extending advances to SSI sector, it is observed that State Bank of India is in the top position followed by AP State Financial Corporation. Andhra Bank and Andhra Pragathi Grameena Bank. It is further noticed that the financial institutions are extending more loans to agricultural sectors followed by the service and SSI sector. Thus, it can be inferred that the SSI sector is received as the third important factor and accordingly financial advances are being lent.

The district of Ananthapuramu, for administrative purpose, divided into 3 Revenue Divisions: Ananthapuramu, Dharmavaram and Penukonda and the number of mandals brought under each Revenue Divisions is 20, 17 and 26 respectively and thus totaling 63 mandals a number of Villages brought under Ananthapuramu Division is 352;218 in Dharmavaram and 394 in Penukonda Revenue Division. For the purpose of study one Mandal from each revenue Division has been picked up: Atmakur from Ananthapuramu Revenue Division, Kanaganapalli from Dharmavaram Revenue Division and Kothacheruvu from Penukonda Revenue Division.

II. CHARACTERISTICS OF RURAL NON-FARM SECTOR

In the recent years, the Rural Non-Farm sector employment acquired importance in the economic development. By providing gainful employment to the rural labour –force this sector is playing a positive role in the removal of poverty. It is a significant source of income to small and landless farmers during the slack season. It also facilitates structural transformation. There is a close relationship between employment generation in rural non-farm activities and the spread of prosperity from agricultural growth. It is pertinent to study the various issues relating to the rural non-farm employment India. In this connection, an attempt is made to study the characteristics of Rural Non-Farm Sector in the following paragraphs. Rural Non-Farm Employment (RNFE) is not a homogeneous sector. It is a heterogeneous sector having various sub-sectors. It processes various interesting characteristics. Broadly they are as follows:

SMALL SIZE

Across the countries, the size of the RNFS enterprises is very small on the whole. They are small in terms of

employment, capital investment, cost of inputs and ownership of land, premises and tools. The RNFS uses more labour-intensive methods of production, when compared to the formal sector.

LABOUR PRODUCTIVITY

RNFS comprises activities with a wide range of labour productivities. They are mainly two groups of RNFS activities.

- ✓ Low labour productivity activities serving as a residual source of employment, and High labour productivity activities.
- ✓ There is wide variation in returns to labour RNFS in java (Indonesia), Uttar Pradesh (India), Thailand and Bangladesh labour productivity in RNFS activities in China is found to have improved substantially due to infrastructural support, education etc.

POPULATION PRESSURE

The intensity of participation in RNFS activities is associated with population pressure. For instance, it is found from the study of 36 Nigerian villages that involvement in RNFS activities by adults and children is common and the intensity of this involvement is positively correlated with seriousness of population pressure, around 40 percent of the total rural labour input in Nigeria is engaged in RNFS activities.

WAGE AND INVOLUNTARY UNEMPLOYMENT

When the involuntarily unemployed do not find employment in agriculture at the prevailing wage rate, the agricultural wage is not the opportunity cost of labour. In this scenario, the involuntarily unemployed agricultural labourer, particularly those who do not have family to fall back on, takes up low wage employment outside agriculture.

WOMEN PARTICIPATION

In many countries, the ability of women to work outside the home is limited. Males have a comparative advantage in RNFS activities because of their ability to travel away from home and to earn a higher wage rate, while women take household responsibilities relating to cooking, child care, etc. the opportunity cost of the time of women also bears little relation to the agricultural wage. Working in cottage industry is particularly useful for women from the point of view of combining it with household work; an employment in cottage industry is most often a part-time occupation for women, as in Africa and Bangladesh.

INCOME

Whether inequality in distribution of income increases or decreases due to participation in RNFS activities is not easy to say. However, it is presumed that if a large portion of the RNFS income goes to the higher income groups of society,

then opportunity to engage in RNFS activities increases inequality in income distribution and vice versa.

The evidence from empirical studies is mixed. In some studies it is found that the poor and landless get a higher percentage of income from RNFS occupations in Japan, Taiwan and South Korea. These studies imply that RNFS plays some role in bringing quality in distribution of income and alleviating poverty. On the other hand, the studies in India, Kenya and Vietnam show that the relationship, between RNFS income and total income or assets is U-shaped. Here as the assets and income raise the tendency of seeking RNFS work decrease thereby reducing the share of RNFS income in the total income. But as the total income and assets rise, there is a tendency to invest the surplus on RNFS activities thereby increasing the proportion of income from RNFS activities in the total income.

III. REMOVES/REDUCES ECONOMIC INEQUALITY

The more important role the rural non-farm sector (RNFS) plays is in reducing the inequality in income distribution across different sections of the society like a landless agricultural labourers who work in agricultural season, which is highly seasonal in nature and he remains slack for rest of the year but a land holder have enough produce to fulfill his requirement of food and non-food items for the rest of the year. So, by providing employment during slack seasons RNF sector smoothens the rural households income flows and hence the consumption. Hence, participation in the RNF sector allows poor people to smooth out or offset fluctuations in agricultural income that might occur on a seasonal basis or as a result of unexpected events and in this way it reduces the vulnerability of the poor section to cope with future unforeseen contingencies.

SOLVES TO UNEMPLOYMENT PROBLEM

Ever increasing Land-Man imbalance (in other words, ever declining land to man ratio), Agriculture alone can't provide the ultimate solution to the rural unemployment and underemployment and poverty. The moot point in developing countries now a day is that they must steadily reduce their dependence on agriculture and expand its non-farm sector to facilitate the transfer of workforce out of agriculture, which is supposed to be the economic activity with least productivity. Hence due to population pressure, small and fragmented land holdings and highly inequitable land distribution structure in the country we need to have a well-developed non-farm sector. Employment continued to be the Achilles' heels for the Indian economy, partly due to the failure of industrial sector to absorb the expanding army of surplus agricultural workers and partly due because of agriculture too can't take on more working hands on an indefinite basis, RNFE expansion would have to be a logical way out of the employment problem.

REDUCES RURAL

The vital role of the rural non-farm sector in addressing poverty and rural development is no more hidden. So, any

analysis of the rural economy must look beyond the farm gate and must demonstrate the importance of the non-farm economy to the rural poor, the majority of whom are only part-time farmers or farm labourers and adopt a wide range of other strategies to support their livelihood. Yet the 'RNF Sector' is still justifiably called the 'forgotten sector' because of the low productivity (as it doesn't use very modern and sophisticated technologies) and hence low wage rates and high levels of underemployment in the sector. Historically, 'rural development' has focused on the farm sector, or providing major infrastructure that is not directed specifically towards the needs of the poor. Yet agriculture provides the strong base for major growth engine on which a vibrant on-farm sector can thrive. Finally, we can conclude that the role of rural non-farm sector can't be ignored as these activities:

- ✓ Absorb surplus labour in rural areas;
- ✓ Help farm-based households spread risks;
- ✓ Offer more remunerative activities to supplement or replace agricultural income;
- ✓ Offer income potential during the agricultural off-season; Provide a means to cope or survive when farming fails.

SECTORAL DISTRIBUTION OF WORKERS IN RURAL AREAS OF INDIA

Table 1.2 indicates that the sectoral distribution of workers in rural areas of India. It is stated that according to the NSS Rounds the distribution of the agricultural workers in rural areas is slightly decreased from 85.6 per cent to 72.7 per cent during the period 1972-73 to 2004-05. However, in same the non-agricultural workers in rural areas increased from 14.4 per cent to 27.3 per cent.

NEED FOR THE STUDY

Geographically, Anantapur district is the largest district in the state of Andhra Pradesh. It is located in the rain-shadow zone. As such it accounts for the lowest rainfall in the state. The average annual rainfall is 540 mm. This amount of rainfall is too small to raise any crop in the district. Even this scanty rainfall is highly uneven and irregular in its distribution in the district. On account of this famines and droughts are a recurring feature. The three out of five years happened to be drought/famine years in the district. There are no perennial rivers flowing across the district. In a situation like this, agriculture does not hold many prospects. Hence, for the sustainable livelihoods people in the rural areas have to depend on non-farm sectoral activities and people in the urban areas have to depend on in-formal sectoral activities in the district

IV. REVIEW OF LITERATURE

The study of Ashwani Saith (1995) limits itself to a general overview of major issues like the impact of expansion of the rural non-farm employment on the pattern of rural inequalities and agrarian differentiation process, the likelihood of the operation of a macroeconomic and sectoral demand constraint on this sub-sector and finally, the potential of and

limits to programmatic intervention in the form of special poverty alleviation schemes.

Fisher and Vijay Mahajan with Ashok Singha (1997) in their book emphasized the need for providing the power of synergy in both the production and the marketing phases of non-farm enterprises through community co-operation and organization. Further, they were of the view that the rural non-farm sector alone can help to overcome the chronic problems of poverty destitution and livelihood and food insecurity. The author had also made projections about the potential of the rural non-farm sector for generating rural employment in future.

Amitabh Kundu (1997) analyzed the trend and types of employment for males and females in urban and rural areas at the national level using available secondary data and analyzed the rate of urbanization.

According to *Reinert Kenneth A (1998)*, a key component of rural development is the growth of production linkages between the farm and non-farm sectors. The growth of these linkages contributes to the development of agricultural clusters and to the increased articulation of the rural economy. The implication of labour force growth, and agricultural pricing on rural non-farm development were explored. The results suggest that agricultural clusters and the articulation of the farm and non-farm sectors are important aspects of rural development.

Kishore C. Samal's (2000) micro-level study in Orissa, Stressed the growth of mini non-farm sector was desirable by reducing both dispersion of land and rural assets/common property resources by land reforms and dispersion in rural income by expansion of primary and secondary education for the alleviation of poverty and employment generation in the rural areas.

Mridul Eapen (2001) has also addressed the question for Kerala by examining changes in employment patterns in rural areas between 1971 and 1991 an examination of certain socio-economic characteristics (proxies for agricultural and urban linkages) for 1971 in those village which became urban in 1991 reveal the importance of both types of linkages in generating non-farm employment depending on the location of the village vis-a-vis large urban settlements.

Peter Lanjouw and Abusaleh Sheriff (2002) made an attempt to assess the contribution of the non-farm sector across population quintiles defined in terms of average per capital income. He focused that education, wealth; caste, village level agricultural conditions, population densities, and other regional effects influence the access to non-farm occupations.

Ramachandriah. G. (2002) while studying the institutions and infrastructure impediments in Rural Industrialization in Dindugal District found that since the enterprises were started on the basis of product and good resource base, their success rate was found to be very high as 90 percent of the enterprises were working very well and only 10 percent had small problems. However, they were also slowly becoming successful.

Mehta (2003) in his study has centered around on to examine the structure, growth, development potentials and the kinds of problems existing in the proper functioning of varies non-farm activities and, finally to investigate the possibility

and measures to be initiated for developing different non-farm activities so that ongoing serious problems of unemployment and poverty in the rural areas of Uttaranchal can be reduced to a certain extent. The study is also an attempt to examine the existing Structure, trends in growth and the nature of participation of different communities in non-farm employment available in different rural non-farm activities in various regions of the state.

V. IMPORTANCE OF RURAL NON-FARM SECTOR

The non-farm sector, particularly in rural areas is being accorded wide recognition in recent years for the following reasons;

- ✓ Employment growth in the farm sector has not been in consonance with employment growth in general.
- ✓ A planned strategy of rural non-farm development may prevent many rural people from migrating to urban industrial and commercial centers.
- ✓ When the economic base of the rural economy extends beyond agriculture, rural-urban economic gaps are bound to get narrower along with salute effects in many other aspects associated with the life and aspirations of the people.
- ✓ Rural industries are generally less capita-intensive and more labour absorbing. Rural industrialization has significant spin-offs for agricultural development as well.
- ✓ Rural income distribution is much less unequal in areas where a wide network of non-farm a venues of employment exists; the lower strata of rural societies participate much more intensely in non-farm activities, though their involvement is much less remunerative as compared with that of the upper strata.

VI. STRUCTURE AND GROWTH OF RURAL-NON-FARM SECTOR

The RNFS in India is too diverse in respect of activities, unit size and geographic dispersal. Further, it does not consist of a homogenous set of activities in terms of income and productivity levels. The RNFS is classified into three major sub sectors [Saxena, 2004]. The first sub- sector consists of enterprises that are run on more or less table basis with target on the surplus generation and growth, employing labour with certain degree of technical sophistication. The second sub-sector consists of products or activities, which are often seasonal, run solely with the help of unpaid family labour, using primitive technology and catering mostly to the local market these two sub-sectors can be differentiated in terms of capital use rather than product categories. The third sub-sector consists of paid workers products or activities, which are often seasonal, run solely with the help of unpaid family labour, primitive technology and catering mostly to the local market.

NEED FOR PROMOTION OF NON-FARM EMPLOYMENT

It is evident that, there has been a moderate shift of workers from agricultural to non-agricultural activities and

such a shift had inter-regional, gender and function-wise variations. This shift can be attributed to several factors. Among them, the important are growth related and poverty related factors. The growth related factors such as increased productivity per hectare, increased per capita income, commercialization of agriculture, education, etc., the growth of agriculture measured in terms of the above criteria would push the semi-employed and under employed workers from agriculture. The growth impulses generated in agricultural sector will promote the development of non-farm sector through its production and consumption linkages.

MAJOR OBJECTIVES OF THE STUDY

The present study takes the following as its objectives:

- ✓ To find out the extent, composition and growth of Rural Non-Farm employment in Andhra Pradesh during post-reforms period;
- ✓ To study the work participation rates and occupational changes in an highly drought-prone and famine district of Anantapuramu Andhra Pradesh;
- ✓ To examine the entrepreneurial abilities of the sample respondents in the Rural non-farm sector in selected areas of Anantapuramu District.
- ✓ To assess the impact of institutional support for the development of rural non-farm activities in the study area;

HYPOTHESES OF THE STUDY

The study takes following as its hypotheses:

- ✓ Agricultural Sector is vibrant to provide sustained employment to men in the state
- ✓ Rural Non-Farm sector has provided significant employment to females in the state.
- ✓ The availability of technical skills / Man power has been a serious constrains the growth Rural Non-Farm sector in Anantapu.amu District.
- ✓ Adequate Institutional Financial Assistance provided for the promotional Rural Non-Farm sector in the District.

VII. METHODOLOGY- DATA BASE

The study makes use of both primary and secondary data. Primary data would be collected by canvassing a pre-tested interview schedule among 105 sample respondents and secondary data would be collected from the published and unpublished documents from the office of the DIC. Anantapuramu. Statistical Abstracts of India. Andhra Pradesh and Anantapuramu district. Further, Five Year Plan documents of both India and AP would be consulted in addition to ASI reports and NSSO data.

SAMPLE DESIGN

The study has selected 7 widely prevailing category of rural activities: Tailoring, Weaving, Dairy, Repair/Service works, Coffee/Tea stalls, Grocer shops and Fruit and Vegetables vending. For each activity 15 respondents would be consulted to record their responses. In all, 105 sample

households would be covered for the study. The sample respondents would be consulted in three Mandals spread over three Revenue divisions in the District.

VIII. LIMITATIONS OF THE STUDY

As already stated that the district is geographically the largest one in the state; more than 105 sample households could not have been under taken owing to time and resource constraints on the part of scholar. The only rationality that can be attributed is that district as a whole is a homogeneous block. Hence, the sample decided to arrive at reflects the reality. Since, it is a region specific study; the findings of the study are strictly confined to Anantapuramu district alone.

CONCLUSION

It may be concluded that even at this stages Rural Non Farm sector has been contributing significantly in rural employment and income generation in the backward and drought prone district of Anantapuramu of Andhra Pradesh. The Rural Non Farm activities are not only confined to traditional village industries which were vanishing in many areas. The existing types of Rural Non Farm activities comprises of a highly diversified set of activities ranging across the primary, secondary and tertiary sectors. Thus, the importance of Rural Non Farm Activities has been paramount and its role in reducing poverty in certainly significant.

CHAPTER OUTLAY

The study has been presented six chapters:

- ✓ Introduction of topic along with objectives, Hypothesis and Methodology presented in the first Chapter;
- ✓ Review of literature has been discussed in the second Chapter.
- ✓ Socio –Economica & Geographical features of Anantapur District has been explained in the third Chapter;
- ✓ While the Socio economic profiles of the sample Mandals have been presented in the fourth Chapter;

- ✓ The performance of the sample Non Form Activities has been analysed in the fifth chapter; and
- ✓ Summary of the findings, suggestions and conclusion put briefly in the sixth and last chapter.

REFERENCES

- [1] Saith Ashwani 'The Rural Non-Farm Economy: Process and Policies', Indian Journal of Agricultural Economics, Vol. 50, No.1, January-March, 1995. PP. 732-724.
- [2] Fisher & Vijay Mahajan with Ashok Singha 'The Forgotten Sector: Non-Farm Employment and Enterprises in Rural India', Oxford & IBH Publishing Co., Pvt, Ltd., New Delhi, 1997.
- [3] Amitabh Kundu (1997), "Trends and Structure of Employment in the 1990s: Implications for Urban Growth", Economic and Political Weekly, vol. XXXII, No. 24, June 14-20.
- [4] Reinert Kenneth. A. (1998). "Rural Non-farm Development: A Trade theoretic view", Journal of International Trade and Economic Development, 7 (4), December, pp. 425-437.
- [5] Kishor C. Samal (2000), "Features and Determinants of Rural Non-Farm Sector in India and Orissa-A Study", in Koteswara Rao. M. Rural Employment: The Non-Farm Sector, Deep and Deep Publications Pvt.Ltd. New Delhi.
- [6] Eapen Mridul (2001) 'Rural Non-Farm Employment, Agricultural versus Urban Linkages-some evidence from Kerala state, India'. The Journal of Peasant Studies. Vol.28, No.3. PP. 67-89.
- [7] Peter Lanjouw and Abusaleh Sheriff (2002), "Rural Non-Farm employment in India: Access, Incomes and poverty impact". NCAER working paper 81, February.
- [8] Ramachandraiah G. (2002). Institutional and Infrastructural Impediments in Rural Industrialization in Dindugal District, Tamil Nadu, Research Report Series-43. National Institute of Rural Development, Hyderabad.
- [9] Mehta G. S. 'Non-Farm Economy and Rural Development', Anmol Publications Pvt., Ltd. Offset Press, New Delhi. 2003, P. 12.