

# ROLE OF NON-FARM EMPLOYMENT IN RURAL DEVELOPMENT

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## Abstract

The study examines the impact of non – farm employment on Household income and living standard for rural development in overcoming the destruction caused by the COVID-19 pandemic and finds out the major determinant of non -farm employment. The study used the different techniques to assess the impact of covid-19 pandemic on the earnings of traditional and modern non- farm employers. The primary data has been collected from 100 rural non- farm employed individuals in the Kumaramputhur Panchayath (Palakkad). Although, every section of rural non -farm activities have adversely affected the individuals, especially traditional non- farm workers due to lockdown; the impact of COVID-19 is more severe in traditional workers as compared to modern workers in the rural development. This study shows that the traditional non-farm workers are unskilled employers and modern non -farm workers are skilled workers; Despite this, they are educated persons and also they get proper training, better salary and allowances than traditional non- farm workers. Both played an important role in rural development, but COVID-19 pandemic created a huge gap between traditional and modern non- farm workers especially in their income and their living standard. Therefore, policy makers need to pay attention to enhancing the provision of formal training and income supported programs for traditional unskilled non-farm workers to overcome this pandemic destruction.

Keywords: non-farm employment, covid-19, household income, living slandered, labour

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## Introduction

Rural non-farm economy, in recent times, is considered as an effective strategy for decentralisation of economic activities to rural India. The economic census of India estimates that around 41.89M rural people are employed in non-agricultural establishments which registered a growth rate of 4.56% during 1998-2005. However, the sector has been contending with a number of factors like inadequate rural infrastructure, particularly road, electricity, and communication facilities lack of sufficient skilled labour and adequate access to credit, information and training facilities etc. The present study investigates the major determinant of Non-Farm Employment and impact of Non -Farm Employment on Household income and living slandered.

Rural Non-Farm Employment is a universally accepted fact that the agriculture sector is by itself, incapable of creating additional opportunities of gainful employment in the wake of increasing population. In most developing countries, the rural labour force is growing rapidly but employment opportunities are not keeping pace with it. As the land available for the development of agriculture becomes increasingly insufficient the Non -Farm Employment must increase if deepening rural poverty is to be avoided. The Non -Farm Employment is becoming an important phenomenon in the Indian economy. Agriculture sector alone cannot provide an ultimate solution for rural poverty, unemployment and underemployment. A long- term strategy for structural changes in employment and earnings may be necessary. In the rural household, out of necessity, workers are being pushed into the non-farm sector and pulled by the dynamic rural -

nonfarm opportunities. The non- farm employment may include maintenance of farm implements, vehicle servicing and several other petty semi-skilled works either within the villages or in their urban or semi- urban neighbourhood.

One of the challenges of the reforms now is to improve the quality of employment and income in the rural non-farm sector. A three pronged strategy is needed for enhancement in the livelihood of the rural poor. First, the GOVT should have policies to improve education and the skills of the workers. Second, they should have a number of policies to increase employment for the unskillful workers. Third, the income of women has to be improved by creating opportunities in the higher productivity sectors.

The vital objective of promoting the non- farm sector actions is to absorb additional rural labour with a view to provide more employment opportunities controlling migration to urban areas and alleviating output in rural areas. A clear strategy of promoting and developing the non -farm employment activities could arrest migration from rural to urban areas, reduce rural underemployment and estimate the loss of skilled manpower to unskilled occupation such as agricultural labour.

The non-farm employment absorbs the unemployed and underemployed rural labour force augment, the household income and employment. Further, if the labour intensive farm strategy is designed to increase employment opportunities, the rural low income groups are not in a position to get sufficient employment opportunities particularly during slack season. The labour productivity and absorptive capacity of agriculture is limited in developing countries. In such circumstances rural industries of manufacturing, repair, maintenance and construction would generate substantial opportunities for productive employment and augment the income of the rural people. The non – farm activities like craft, processing service,

activities and manufacturing industries are linked with other industrial markets and help mobilize the rural labour force through the provision of additional employment opportunities. The manufacturing of goods will meet the basic needs of the market and make an important contribution to raise the income level and the living standard of the rural people. The increased income of rural poor may bring in more equal distribution of income.

Rural non- farm actions are not all the time located in the village of a worker's residence. A quick analysis of non- agricultural wage earners in 10 FAS-PARI (Foundation for Agrarian Studies) as a part of the Project on Agrarian Relation in India (PARI) villages showed that about 45% of total non-agricultural wage employment received by workers was at location outside their village of residence. The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNRES) was an important source of non- agricultural wage employment, and the construction sector provided workers wage employment in nearby urban centres.

The first and second phase of the lockdown in India, which extended for more than five weeks, severely curtailed all forms of non – agricultural wage employment opportunities in rural India. Even though some of the limits were eased in the third phase of lockdown, restrictions on the movement of workers nonstop to limit the scope of non-agricultural employment. MGNREGA employment was permitted.

Only from April 20, 2020. The number of households demanding employment under the act almost tripled, rising from 12.8M in April 2020 to 36.1M and 32.5 M in May and June. At the same time, employment generation continued to fall short of demand for only 74% of households that demanded employment between April 1 and June 15, 2020. Were provided employment. Average wages paid in many states are well below the notified wages.

The rural rich own and operate businesses that are listed as "essential services" such as grocery shops and outlets for agricultural inputs and outputs. The rural poor on the other hand depended on petty and uncertain self-employment activities, such as street vending, small tea shops, barber shops selling vegetables, fish and other wares. These fragile self-employment activities were severely hit during the lockdown, and will not benefit from MSME loans declared in the government reliefs package.

The rural non-farm economy, which constitutes 60 % of India's rural GDP, was adversely affected by the lockdown. To the extent that rural non-farm employment provided supplementary income to the rural poor, there was surely an immediate accentuation of poverty due to this disruption. If the government continues to undermine the sector and programs such as the MGNREGS, there is likely to be prolonged distress in the rural economy. Special attention has to be paid to the revival of the rural non-farm sector to reduce poverty and distress. Increasing MGNREGA employment to 200 days, increasing notified wages and expanding financial support to the rural workforce through direct transfer are the needs of the hour

Due to the economic downturn caused by Covid-19 pandemic, India's GDP contracted by 23.9% in the first quarter. However, a silver lining in this de-growth scenario can be noted as agriculture grew by 3.4%. . Even though green shoots, agriculture in India has been poorly for a long time. It has been grappling with issues like fast depleting groundwater, soil degradation, fragmented markets, barely functioning agricultural extension services and speeding up of climate change.

It is due to these factors that agriculture cannot turn over in other sectors, but along with the non-farm rural sector, it could jump start the economy. Apart

from this, Non-Farm rural activities (livestock, fisheries and food processing etc.) are advantageous in lifting the poor above the poverty line. Therefore, it becomes essential to identify the issues of the non-farm rural sector in India to focus on building strong growth links between the non-farm rural economy and agriculture.

**Importance of the Study:**

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

Check on unregulated migration is the importance of the non-farm employment. The check on unregulated migration is a planned strategy of rural non-farm development that may prevent many rural people from migrating to urban industrial and commercial centres.

Bridging rural urban division is the importance of non-farm employment when the economic base of the rural economy extends beyond agriculture, rural-urban economic gaps are bound to get narrower along with beneficial effects in many other aspects associated with the life and aspirations of the people.

Employment generation is the importance of non-farm employment is the non-farm rural industries are generally less capital-intensive and more labour absorbing. Thus, they can play a significant role in employment growth in rural areas.

Reducing Inequalities is another importance of non-farm employment, rural income distribution is much less unequal in areas where a wide network of non-farm avenues of employment exists. As the lower strata of rural societies in non-farm activities, it helps in increasing social mobility.

**Review of literature:**

According to Indian Journal of Economics and Development (2020) the rural non -farm sector (RNFS) involves a spectrum of economic activity in rural areas and encompasses all rural productive entities other than farm holdings. It has the potential to play a crucial role in holistic and wide-ranging development of India's rural areas by increasing the employment and wages of rural labour, which can reduce income inequalities. The review study also focuses on disaggregating RNFE on the basis of gender, size of landholding, and castes. This study also depicts the impact of RNFE on rural livelihood especially in employment and poverty and factors determining it have also been compiled to get an overall idea on the study.

A study on Access to Non-farm employment in contemporary India conducted by Gurpreet Sing (2020), Rural non – farm diversification in India is taking up new roles amidst increasing agrarian distress. In this circumstance two issues have been examined in this paper; first, the nature of rural non – farm diversification, and second, the convenience of households to rural non- farm employment in the states of Bihar and Punjab. The study shows that while non- farm activities are largely adopted by landless and marginal land households in both states, there are a few lucrative options available which are being accessed by large landholders in Punjab. Overall, caste, gender and education are dominant determinants that work as barriers to entry for rural households.

Kishore. C. SAMAL (1997) identified that the level and growth of RNFE differ from region to region and it is observed that the income from RNFE as a percentage of total household's income has increased rapidly in industrially developed regions.

Jollifee (2004) found that non – farm work has a much higher return to education than does farm work and suggests this divergence in return affects the allocation of labour in farm households between farm and non- farm.

**Objectives**

- To study the impact of non – farm employment on household income and living standard.
- To find out the major determinants of non – farm employment in the study area.

**Methodology**

The study used both secondary and primary data. The general discussion of non-farm employment is based on secondary data sources. Important sources are articles, economic journals, websites, & other journals. But the empirical part of the study is entirely based on cross section data, which are based on 76 samples collected from Kumaramputhur Grama Panchayath in April 2021.

To find out the impact of non- farm employment on household income and living standard. The important statistical techniques are percentage, mean, SD, univariate analysis, cross tabulation / bi-variate analysis.

To find out the determination of non- farm employment in the rural area the study is used binary logistic regression model. It is a non – linear regression model, which is used when a dependent variable is a dichotomous variable. In our analysis, the dependent variable is a dichotomous variable, therefore we have used this mode. Binary logistic

regression model is estimated based on maximum likelihood method, instead of OLS method.

*Analysis of the Data*

As per the collected data, examined the impact of non – farm employment on Household income and living standard. As per the survey, the income of modern non- farm workers is more than the income of traditional non- farm workers. Both the food expenditure and nonfood expenditure increases among the both traditional and modern non- farm workers as a result of the increasing the general price level. The following table shows the impact of non – farm employment on household income and living standard.

TABLE: 1 IMPACT OF NON-FARM EMPLOYMENT ON HOUSEHOLD INCOME AND LIVING SLANDERED

Variants	Traditiona l	Modern	Total
Income	11862.74 (7817.9)	16680 (13631.21 )	13447.3 (10266.3 1)
<b>EXPENDITURE ON FOOD</b>			
1-Rice	1128.43 (828.78)	949.6 (629.88)	1069.6 (769.44)

2-Vegetables	576.6 (323.52)	528 (209.20)	560.65 (290.37)
3-Fruits	372.5 (401.53)	372 (203.14)	372.3 (347.4)
4-Milk	253.72 (285.67)	218 (297.56)	242.11 (288.13)
5-Grocery	1894.11 (1040.46)	2004 (1255.13)	1930.26 (1108.39)
<b>TOTAL FOOD EXPENDITUR E</b>	<b>4234.50 (1950.15)</b>	<b>4712 (3530.4)</b>	<b>4391.57 (2564.13)</b>
<b>EXPENDITURE ON NON FOOD</b>			
1-Dresses	305.882 (633.53)	432 (558.062)	347.36 (608.92)

2-Rent	0 (0)	280 (1011.18)	92.105 (587.14)	9-Miscellaneous	5020.909 (4343.92)	5263.2 (5477.59)	5100.6 (4711.07)
3-Education	1437.25 (1871.25)	880 (1051.09)	1253.94 (1660.53)	<p><i>Source: computed from Primary Data</i></p> <p>As per the table, total income of the RNFE is 13447.3 and their SD is 10266.31. Income of traditional non -farm workers is 11862.74 and modern non – farm workers is 16680, the average income of both traditional and modern non- farm workers is 13631.121 and 7817.9 respectively. The table also shows that the expense of food and nonfood items of both traditional and modern non-farm employees is 4234.50 and 4712; their SD is 1950.14 and 3530.40 respectively. However, expenses on non- food included the dress, education, newspaper, medical expenses, electricity, gas, rent, entertainment and miscellaneous it is more on modern non- farm workers than the traditional non- farm workers. From these analyses, we can clearly understand that income shows an increasing trend among both traditional and modern non- farm workers. The income increases in the modern non – farm workers are more than the income increases in the traditional non- farm workers. This table clearly shows that both food expenditure and non- food expenditure increases among the both traditional and modern non – farm workers as a result of increasing the general price level.</p> <p>The important determinants of non- farm employment are occupation, gender, education, religion, family tradition etc. From the study, 67% persons are engaged in the traditional rural non-farm employment, 32.8% are engaged in the modern non – farm employment. 33% of male and</p>			
4-Newspaper	74.31 (98.87)	100.64 (101.49)	82.97 (99.84)				
5-Medical expenses	1020.58 (1667.87)	912 (2069.88)	984.86 (1796.71)				
6-Electricity	433.13 (212.44)	659.2 (419.6)	507.5 (312.82)				
7-Gas	580.39 (278)	659.2 (329.17)	588.81 (293.84)				
8-Entertainments	344.11 (111.64)	590 (371.09)	425 (256.7)				

35.3% of females are engaged in traditional non – farm employment. As per the empirical evidence, out of the 76 samples, 51 persons are engaged in the traditional non- farm employment, out of these 64.37% are male and 35.3% are female and 25 persons are engaged in modern non – farm employment, out of these 72% persons are male and remaining 28% are female. As per the study, majority of traditional non- farm workers are below SSLC and illiterate, whereas the modern non – farm workers are educated and they were completed degree or above the degree. As per the empirical evidence, 56.86% of Muslims and 43.13% of Hindus belong to the traditional non- farm employment. The Christians are not participating into the traditional non – farm employment, but they are participating into the modern, skilled non-farm employment.

#### Findings of the Study

- Ø The data on gender of non – farm employment shows that 67.1% are males and 32% of them are female.
- Ø 2.the study shows that educational qualification is high in modern non-farm workers than the traditional non – farm workers
- Ø The Muslims and Hindus were practicing in both traditional and modern non-farm employment. But, this study shows that Christians participated only in modern non-farm employment.
- Ø The study also shows that; the traditional non- farm workers are not preferring to rent houses.
- Ø The study found that the gender discrimination is existed in some of workers of traditional non- farm employment such as drivers,

electricians, plumbers, carpenters, etc. not existed in modern non-farm e employment

- Ø The study reveals that modern non-farm workers are skilled labourers compared to traditional non – farm workers.
- Ø The study also found that increase in the standard of living of non- farm workers in Kumaramputhur GramaPanchayath

#### Conclusion

Dependence on the non- farm source of employment and income is pervasive at the individual level. The results show the significant role of RNFE in household's income and poverty reduction. A significant part of households and individual income constituted from non- farm employment, therefore, RNFE can potentially have an effect on household well being and overall poverty reduction. Owing to this, COVID 19 can have significant impact on nonfarm employment and has been the most affected with pandemic, whereas the majority of traditional non -farm workers are losing their work and they face unemployment. The more educated people engaged in modern non- farm employment (teaching, banking, office work etc.) so they do not lose their jobs, because the GOVT gave the opportunity of work from home, the diversity exists not only in terms of share of employment but also in terms of source of incomes.

Survey data helps to understand the diversities across different occupational groups within non-farm segments. The casual wage earners, the regular or salaried workers and non- agricultural rural enterprises within each segment there are divergent

activities and occupational groups with considerable heterogeneity and inequalities across different segments of the non- farm sector in terms of days of work, average earnings and capital requirement etc.

Those who possess a higher level of education have also better prospects of getting regular or salaried employment. Improving the level of education is therefore necessary in order to promote better paid regular or salaried employment. Thus, the non- farm employment plays an important role in the rural development, because it provides income and employment opportunities to the rural people, thereby, they are formulating assets in various forms. There are several measures taken by the Govt for overcoming major challenges in the RNFE due to COVID 19 pandemic and for recovery, it may not benefit all rural households equally, in particular, the poorest may be left behind, given their lack of certain endowments, such as education and training.

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