

# “Effect of Non-Farm Rural Employment on Poverty Reduction” (A Study of Employment and Income Situation in Dhar (M.P.) in India)

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## Abstract

This paper is to examine what are the trends and pattern of rural workers farm to non-farm employment in the recent past is due to demand pull or distress-push or both in rural area. As a prelude of this we will examine the overall trends in employment and income on the Dhar district. The objective of this paper is to examine factors affecting the likelihood of employment and poverty among farmers. Particular interest is on the question of whether diversification of a farmer into non-farm employment reduces their probability of being poor. This question is of interest since it has been argued in the literature that there is prospect for non-farm sector for playing an important role in alleviating poverty. This entails investigation on the impact of non-farm employment on poverty. Here, we provide the empirical evidence on this question by estimating a statically methods using primary data gathered among agricultural and non-farm household in Dhar District. results show that non-farm employment is an important predictor of poverty and hence, matters to poverty. Other factors that are significant are education, household size, land size ownership, remittance as well as the local area economic characteristics. The findings of this study promoting non-farm activities in the rural-agricultural areas will have a positive impact on effort to reduce poverty.

**Keywords:** Farm, Non-Farm, Employment, Labor.

## Introduction

The agricultural sector is playing an important role in the economy despite its limited capacity to absorb the existing rural labor force.<sup>1</sup>The proportion of workers engaged in farm all workforce has remained virtually unchanged despite all the efforts a diversification of rural occupational structure over the past years. This has led to the creation of a strong demand for non-farm employment in the rural labor market, making the rural non-farm sector a vital component of the rural economy.<sup>2</sup>

In the non-agriculture employment categories, manufacturing is the most important; accounting for more than 7 per cent of rural employment in the country.<sup>3</sup>Regular non-farm employment is typically highly sought after and most clearly associated with relatively high and stable incomes. But only 6 percent of rural workers or 22 percent of the non-farm workforce held regular salaried jobs in 2004-05. 28percent of the rural non-farm workforce was employed as casual laborers. While it is generally thought to be less demeaning to a worker than agricultural wage labor, and it pays better, casual work may be both physically demanding as well as hazardous (construction, rickshaw pulling, industrial workshops, etc.). In 2004-05 the other half of the non-farm rural workforce was involved in self-employment. Non-farm self-employment activities can be residual, last resort options (e.g., unpaid family labor and wage work concealed as self-employment under different forms of contracting out tasks) as well as high return activities.<sup>4</sup> Whether they are of the former or latter variant generally depends on the skills and capital available for deployment.

The purpose of this paper is examineto the prospects for expansion of ruralemployment income in farm and non-farm rural industry.<sup>5</sup> Even if there were to be a deliberate 'Social and Economic' intervention in favor of allocating larger resources to farm and non-farm activities, the rural worker absorption capacity of farm employment is

limited and the path of rapid farm industrialization too is beset with many pitfalls. These problems and certain deliberate policy decisions creation of physical, economic, social and infrastructures changes in the rural credit and pricing policies etc.that need to be taken to make a dent on rural income sources are discussed in the paper.

These studies examine that farming households involved in non-farming activities are impact of poverty when compared with farming households that engaged in non-farm income. Therefore, in order to alleviate poverty among households in the study area, there for what is the need to develop the level of human capital base of the farmers in the study area in order to enhance the amount of income derived from non-farming activities.

**Objective of the Study**

1. To examine trends in the employment of rural workers in Dhar district.
2. An analysis of recent developments that have a bearing on the nature and magnitude of the working conditions in the various fields.
3. To study problems relating to rural worker in the study area.
4. To examine Different factors link exposure with farm to non-farm Employment.

**Conceptualization of the Study**

The socio-economic backwardness followed by poverty, illiteracy, unemployment, demographic expansion, deep social prejudices and above all the government apathy are commonly considered as the most prominent causative factors for large-scale employment of rural area. In non-farm self-employment, retail dominates over brewing and manufacturing. Non-farm unskilled wage employment takes mainly the form of construction work, road labor, and other poorly-paid manual labor. Teaching, work for the government, and transportation are the main activities within the non-farm skilled wage employment. Income inequality is linked to under-investment in social and economic resources such as education, medical services, transportation and environmental controls and income inequality leads to the erosion of social capital and stressful social comparisons.

**General Description of the Study Area**

Dhar district which is situated in the western corner of Madhya Pradesh is home to the Scheduled tribe or indigenous people with the various sub-tribes like Bhil, Bhilala, Barela, and Patelia together constituting 55percent of the total population.<sup>6</sup>the

**Table 1: Socio-Economic Characteristics of Respondents**

No	Characteristics	Dominant Indicators	
1	Age	between 25 – 50 years	78%
2	Family Size	between 8 to above	70.7%
3	Respondents Education	formal education	55%
4	Household Working Member	between 2-3persons	68%

Source: Primary data 2020

An average household size consists of 8 or above (70.7percent family) members with dependency. working member of 2 or 3 most (68percent) of the households were headed by male with average age of 25-50 years and their mean years of formal education was 55percent of the household

district forms a unique agro-climatic zone called the Vindhya hill ranges and drains into the river Narmada. The northern part of the district forms the undulating hilly edge of the Malwa Plateau and the Southern part of the district forms the undulating hilly edge of the Nimar Plateau the eponymous agro-climatic zone.

**Research Methodology: Sampling Technique**

The respondents are selected using a multi-stage sampling technique. Stage one is the selection of two Tehsil Dharpuri and ManawarinDhar District. Stage two is the random selection of 5 villages from the selected per Tehsil in Dhar District. Stage third is the selection of 100 respondents from each of the tehsil. As a whole 200 households have been selected for in depth study. Information are collected by structured interview scheduled. information that is elicited from the respondents includes their socio-economic characteristics-

1. Such as respondent age, gender, marital status etc,
2. Household social characteristics i.e. family size, education,
3. Type of employment, income characteristics,
4. Loan characteristics i.e. type, amount and sources.

**Analytical Techniques**

The data obtained were analyzed using descriptive statistics and Linear regression analysis.

**Descriptive Statistics:** The descriptive statistics employed involved the use of tables, frequency, percentages and mean. The descriptive statistics are used to for the result of the socio-economic characteristics of the respondents. Linear regression model is-

$$Q^* = \hat{\alpha}_0 + \beta \text{explanatory variable} + \theta_i \dots \dots \dots (i)$$

Where i is normally distributed with zero mean and constant variance.

Q\* the dependent variable is household family size.

Thus, the explanatory variables used in the linear regression analysis were and measured as;

G<sub>i</sub> = Gender (Male = 1, Otherwise= 0)

A<sub>i</sub> = Age (in years)

E<sub>i</sub> = Educational status (Formal = 1, Otherwise= 0)

F<sub>i</sub> = Farm Income (Rupees)

FL<sub>i</sub> = farm labour income (Rupees)

NFE<sub>i</sub> = Non farm employment income (Rupees)

β = Regression parameters or coefficient

θ<sub>i</sub> = Error term.

**Results and Discussion:**

Table 1 shows the results of the socio-economic characteristics of the rural households.

heads having some form of formal education. Even many households have access to formal or informal credit, and the distance to the nearest urban market place is quite far on average. While the majority had farm and non-farm labor as their primary occupation, as much as 82.67percent of the heads of rural farm

households is involved in non-farm activities and 53.5percent non-farm labor work as their major occupation. 89.76percent workers migrant in different area. This evidence is showing that involvement in non-farm activities is gaining in importance among farm households in study area.

#### **Income situation in Farm and Non-farm**

Non-Farm Activity in manufacturing and in the services are more likely to be better income and more secure, since the employer is more likely to be the organized Sector.<sup>7</sup> Employment in construction and in areas such as Trade and Commerce and transport are more likely to involve casual labor and self-employment.<sup>8</sup> This casualization of the non-farm sector is exactly what we find when we analyze the rural non-farm sector in these terms. Non-farm activities can be crudely divided into three sub-sectors representing very different types of employment: regular, salaried employment where the worker has a long-term contract that does not require daily, weekly or monthly renewal; casual wage labor that entails a daily or periodic renewal of work contract; and self-employment where the worker operates her own business.

**Table-2 Occupational Distribution of Respondents in the Study Area**

No	Occupations	N	Mean	Standerr. Deviation
1	Cultivation	32	16673.41	16489.41
2	Farm and Non-Farm laborers	41	16315.28	17028.06
3	Mining	22	34607.36	19704.74
4	Manufacturing	37	26693.66	25957.65
5	Construction	26	31315.79	23283.94
6	Services	17	59985.06	38970.24
7	Trade and commerce	11	31109.09	21807.85
8	Transport & communication	14	36607.36	21704.74

**Source: Primary data 2020.**

The table 2 shows the respondents in the study area with regard to non-farm participation is 84 percent and only 16 percent respondents are depends farm income. This indicates that the former have considerably higher participation in non-farm activities. A maximum number of farm households are distributed at the lower income classes while the non-farm households at the higher income classes.

The income level and share of total income derived from various livelihood activities by ruralhousehold as well as the overall level of income diversification measured by the inverse of the index is shown in table 2, the mean ruralhousehold gross income is59985.06 per annum.

Income received from farm employment activities livelihood sources contributes in this paper is 16 percent. The largest share of employment activity while farm and non-Farm laborers activities contributed 20.5percent andthe income share derived from household farm activities summed up to mining share 11percent of the total income.share of 18.5percent households derived the largest proportion of their manufacturing income and this is significantly

higher. A sizeable chunk of the income from constructionis derived only 13percent. Services 8.5percent, Trade and Commerce 5.5percent and 7percent transport and communication rural household's employment as non-farm skilled labor activities is lower.

The income share derived from oriented non-farm self-employment income diversification activities by the households was significantly higher and different.While the rural farm households derived a significantly larger of income from non-farm labor and other activity. The result shows that non-farm activities contributed substantially to the household's income in the area.

Most of the households in the study area participate labor work in off-farm employment activities. Among these, Farm and Non-Farm wage employment and self-employment are the most important ones. Non-agricultural wage income from activities such as construction labor, driving, fruits selling, handicrafts, food processing, shop-keeping (petty-trading) accounts for total household income. It includes formal and informal jobs in construction, manufacturing, public service and other activities.

It is however worthy to note that the overall level of income diversification is significantly much higher among the Non-Farm income than the Farm income. This suggests that the observed pattern of non-farm diversification is most likely a copious strategy for poverty reduction among the predominantly rural economy in study area.

Strikingly, the importance of farm income slightly decreases with farm size, while the importance of off-farm income increases; indicating that farm and Non-farm income are complementary rather than substitutive. off-farm activities in study area help households to improve their income through skills use. Among the off-farm sources, the smallest farms derive higher shares from agricultural wage employment and remittances than the larger farmers, for whom non-agricultural wage and self-employed incomes are more important.

#### **The Findings**

Due to completedinterview scheduled information 200 respondents are used and analyzed. Table 3 reports the results of the estimated linear regression model. The estimated parameter are reported together with the likelihood value, R-squared, as well as the percent correctly predicted. The estimated linear regression model shows that the value of R-squared is 0.98 The F change correctly predicted is 330.748, which indicates that the estimated linear regression model is generally good.

**Table 3: Estimated Linear Regression results**

Variable	Coefficient	t	Sig.
Constant	0.378	1.890	.063
Gender	3.917	.030	.976
Age	-7.310	-.324	.747
Education	-3.200	-1.156	.252
farm income	0.378	-.657	.513
Labor Income	-4.348	-1.046	.299
Non-Farm Employment Income	-5.779	-.451	.653
R-Squared= 0.98			

Adjusted R Square= 0.97 Std. Error of the Estimate= 0.2312 F Statistic = 330.748 Sig = 0.000
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Dependent Variable: Irrigated land

All independent variable together explain 97percent of the variance in the perception towards Farm Income. The results are found to be highly significant as indicated by the F value 330.748 (Sig. 0.000).

The coefficients of the variables that reflect the ownership of assets and access to the results show that workers gender, farm income had positive and significant influence on Farm income. workersage, education level, laborincome, non-farm employment income had negative influence on Farm income.

It is also interesting to find that the variable of interest in this study, i.e. human assets, natural assets, social assets, physical assets, and most important finance assets is found significant and has a positive relationship with the probability of the rural workers income. This result implies that if workers are to diversify their income sources by participating in non-farm activities, and other quality activities like motivation and determination abilities, skills and experience, idea with market their probability of incomewill increase.

This study also discovers that all variables of the household socio-economic characteristics is found significant and has a positive relationship with the probability of the farm worker income. But unirrigated landsize is found significant and Positive relationship with the probability of the diversification of non-farm activity.

Rural poverty reduction is generally sought in the role of farm incomes. However, non-farm employment income in rural areas can also be a major contributor. Using detailed household survey data from Dhar District, we find that the counterfactual of what rural households' employment, incomes, poverty, and Incumbrance would be in the absence of access to non-farm employment of income. Results show that, without non-farm employment, rural poverty would be highest and tuff, and that income inequality would be higher as well. We find that education, proximity to town, infrastructure effects, and village effects are crucial in helping particular households gain access to these opportunities. We also find that those who stay as pure farmers have non-observable characteristics that make them much more productive in agriculture, implying positive selection on these characteristics. Moreover, participation in non-farm activities has a positive spillover effect on household farm production.

#### **Conclusion**

It is found that both push and pull factors have caused the Non-Farm Activity to grow. non-farm activity, access to credit and urban proximity are

important development supportive factors that have pulled non-farm activity to grow. poverty is one of the most important negative factors that have allowed non-farm activity to increase in terms of pushing people to go for non-farm activities. education is an important determinant for entry in non-farm Activities.

The analysis confirms that, controlling for differences in rural household characteristics (education, land ownership, Gender, Caste, age, gender) and infrastructure support, impacts households differently, depending on their main source of non-farm income. expansion of non-farm activities has some potential for consumption enhancement in times of crises. however, the opportunities for increasing consumption by diversifying into rural non-farm activities may be limited for farm households due to lack of assets (human, natural, social, physical and finance) and quality of employment (motivation and determination, abilities, skills and experience, idea with market and resources) required for starting a new activity, limited access to credit and lack of entrepreneurial ability. This paper significantly examines that the prospects for expansion of rural employment in farm and non-farm activities are related to human, natural, social, physical and finance assets.

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