

A Case Study of the Growth & Challenges of Non –Farm Activities in Gujarat

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Abstract: *The transformation of economic activities in rural India involving the emergence and growth of non-farm activities in India, the rural non –farm sector is considered an important means of per capita income, employment and standard of living. However it is also themselves are of various activities in the terms of returns and productivity¹ the non-farm “sector” includes all economic activities in rural areas except agriculture, livestock, fishing and hunting. It is defined negatively, as non-agriculture, a heterogeneous sector. Among the three sectors, the tertiary sector is highly correlated with Gujarat State Domestic Product (GSDP) during 2007-08 to 2013-14.*

Keyword: *on –Farm sector, Hunting, Transform, Standard of living, labour absorbing*

I. Introduction

For the 12th five year plan period, Gujarat's development vision emphasizes on human development and inclusive growth, while it aims at sustainable double digit growth which is environmentally sustainable with harmonious and balanced development in agriculture, manufacturing and services, increasing livelihood opportunities, empowerment of the youth and women, improved quality of life, especially of the poor - both in rural and urban areas, good governance and improved citizen centric services, improved effectiveness, efficiency and transparency in programmes directly aimed at the poor, meeting the challenges of Urbanization especially in terms of infrastructure, services and governance, etc.²

Farm activities define that the agriculture (crop production), plantation, animal husbandry (milk, meat, egg etc.), forestry & logging and fishing, while the non-farm sector includes all other activities like agro-processing industries, wholesale and retail trading, storage and communication, transport and education, health industries and other service related activities during that time period the economy moves and tends to be transformed.³

‘The rural non-farm sector (RNFS) encompasses all non-agricultural activities: mining and quarrying, household and non-household manufacturing, processing, repair, construction, trade and commerce, transport and other services in villages and rural towns undertaken by enterprises varying in size from household’s own-account enterprises to factories’. The non-farm sector is loosely referred as the unorganized sector; and the Ninth Five-Year Plan document says that more than 90 per cent of employment growth during the 1990s was from the unorganized sector.

Objectives

- To find out the trends of Income in terms of Gujarat state domestic product (GSDP at factor cost at current prices)
- To compare correlation the y-o-y growth of three sectors in Gujarat.
- To examine the common challenges facing from small scale industries in villages of Gujarat.

Period of the study

Generally it’s depend upon data availability but we observe the trends of Gujarat State domestic product in 2004-05 to 2012-13

Methodology

The study is based on secondary data and Statistics Methods used in the study are Correlation and Year over Year growth

Importance of Rural Non-Farm Sector

The RNFS especially in rural areas has got huge recognition in recent years. The following ways are as under:

- The growth of employment in the farm has not been alliteration with general employment.
- A proper planned strategy of rural non-farm development may protect many rural people from migrating to urban industrial and commercial centers.
- When the economic base of the rural economy extends beyond farm sector that narrower gap between rural and urban economic areas.

- Rural industries are generally less capital –intensive and more labour absorbing.
- Non –Farm activities in rural industries are reducing income inequalities among rural people.
- Rural non-farm activities have significant spin-offs for farm development as well.

According to Census 2011 Statistics, Gujarat has population of 6.04 crore persons showing a ten years growth rate of 19.28% as compared to all India growth rate of 17.68%. This growth is due to migration of people of other states .The growth rate of population in rural and urban areas was 9.3% and 36.0% respectively. The growth rate of 2001-2011for Gujarat state is decreased by 3.4% than the corresponding rate of growth during1991-2001 that was at 22.7%.Gujarat is the most urbanized state of India. The key sectors of the state are Industry, Power, Ports, Roads, Agriculture and Mineral. It is one of India’s most flourishing states, having per capita GDP significantly above India’s average.

Looking at the demographic profile, Gujarat is one of the state’s having more than 60% of the population in between age group of 15-59. Gujarat State Domestic Product (SDP) had been rising at an average growth rate of 10.1% since 2005 to 2013; this is more than the country’s average.⁴

It is now an accepted fact that economic development which advances industrialization and industrialization cannot be achieved without a simultaneous process of urbanization. With industrialization there emerge new urban centers on the one hand and expansion of the ones already in existence. Cities and towns are growing in both number and size. Improved means of transport and communication are bringing villages more and more nearer to the urban centers.

This process of urbanization is accelerated with the initiation of globalization. The living pattern of the people is changing, which is reflected in the change in demand for agricultural products. Also with changes in the demand pattern, the crop pattern also changes; the relative importance of cereals and non-cereal crops is change. It has also change the occupational pattern of the people living in villages (rural areas).Though agriculture is the main source of living for the rural people with their low level of income and hence they have low level of living compared to that of the urban people, but with time non-farm activities are becoming the alternative source of livelihood for the rural people. With urbanization the secondary and tertiary sectors (i.e. non-farm) activities have come into being⁵

II. Structural Transformation of Rural Economy

The Rural Non –Farm activities in India is too diverse in respect of activities, unit size and geographic distribution. 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 running on more or less stable basis targeting on the surplus generation and growth, employing labour with certain degree of technical superiority. 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 categories⁶.

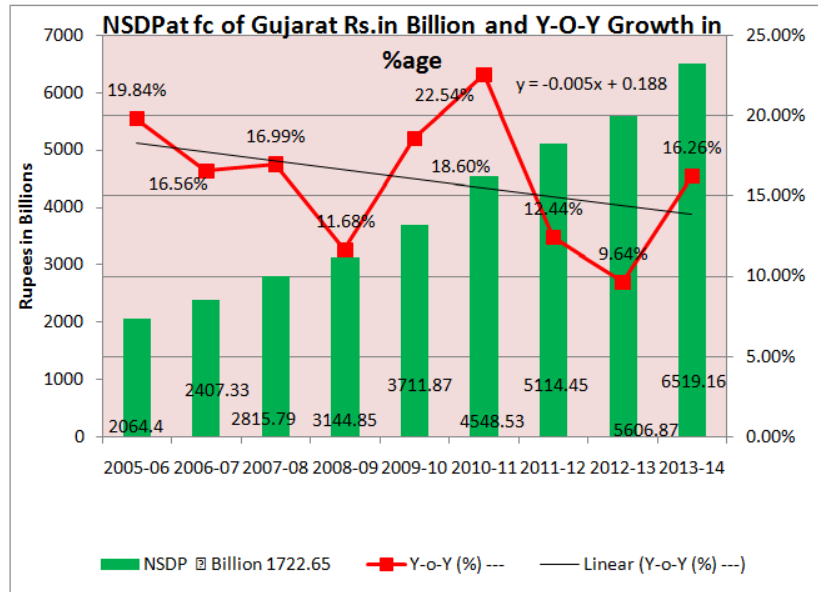
The third sub-sector consists of paid workers characterized by low earnings and a disintegrated market with respect to labour, The paper (Jean O. Lanjouw b, Peter Lanjouw(2000)The rural non-farm sector: issues and evidence from developing countries)on-farm activity undertaken by farm households as independent producers in their homes, the subcontracting of work to farm families by urban-based firms , non-farm activity in village and rural town enterprises, and commuting between rural residences and urban non-farm jobs. For example, Basant (1994) finds, in a survey of rural employment in the Indian State of Gujarat, that 25%of rural male non agricultural workers commuted to urban areas for work.⁷

Table: 1. Net State Domestic Product at Factor Cost - Gujarat (At Current Prices) & Y-O-Y (Growth) Base Year 2004-05

Year	NSDP Rs. Billion	Y-O-Y (%)
2004-05	1722.65	---
2005-06	2064.40	19.84 %
2006-07	2407.33	16.56 %
2007-08	2815.79	16.99 %
2008-09	3144.85	11.68 %
2009-10	3711.87	18.06 %
2010-11	4548.53	22.54 %
2011-12	5114.45	12.44 %
2012-13	5606.87	9.64%
2013-14	6519.16	16.26 %

Source: RBI Handbook⁸ retrieved from:<https://www.rbi.org.in/scripts/PublicationsView.aspx?id=16446>

Figure: 1 Net State Domestic Product at Factor Cost - Gujarat (At Current Prices) Rupees in billions & Y-O-Y Growth in % age



Above figure indicates the Gujarat State Domestic Product at factor cost continuous increasing from 2004-05 to 2013-14 (Rupees in billion). But the year on year growth of Gujarat state is not continuous increasing and get fluctuate in ten years. Here the lowest growth in 2012-13 at 9.64% and its highest in the year 2010-11 at 22.54%. The latest facts of Gujarat State Domestic Product (GSDP) Nominal in 2014-15 at rupees 7.66 lakh crore (US \$110 Billion) ranking fourth followed by Maharashtra, Uttar Pradesh and Tamil Nadu.⁹

Table-2: GSDP by broad Sectors – Sectoral Contribution in %age

Sr.	2004-05	2004-05	2011-12	2012-13
1	Primary Sector	19.5	20.9	17.9
1.1	Agriculture Sector	13.2	17.3	14.6
2	Secondary Sector	36.5	34.7	35.1
3	Manufacturing	27.3	25.3	25.2
4	Tertiary Sector	44	44.4	47
5	Total	100	100	100

Source: Socio –Economic Review 2013-14¹⁰ p-9

Figure: 2 GSDP by broad Sectors – Sectoral Contribution in %age

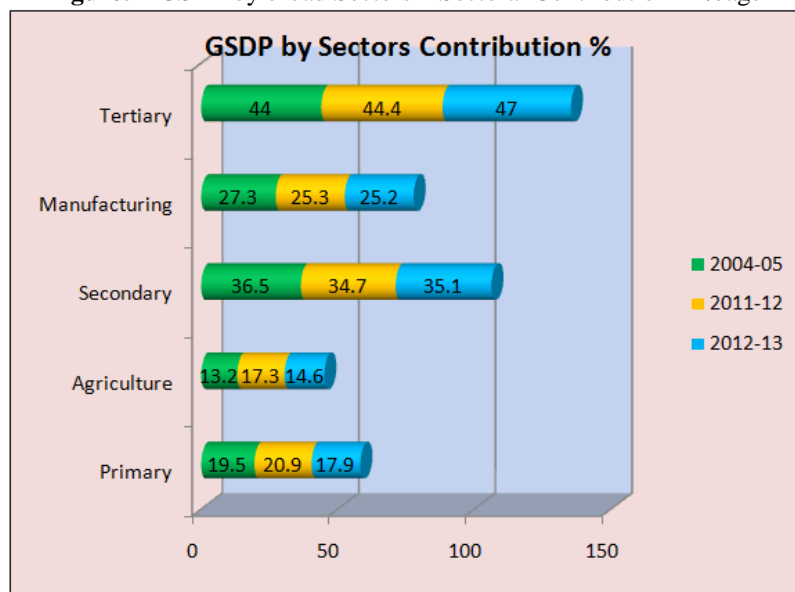


Table: 3 Sectoral Compositions of GSDP at Current Prices in Rs. Crore, Y-O-Y % Growth

Year	Agriculture	Y-o-Y	Secondary	Y-o-Y	Tertiary	Y-o-Y
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2004-05	39732	---	74320	---	89321	---
2007-08	66770	68.05%	122837	65.28%	134678	56.37%
2008-09	68501	2.59%	137575	11.99%	161831	19.43%
2009-10	77232	12.74%	170522	23.94%	183508	13.39%
2010-11(P)	114244	47.92%	184770	8.35%	222505	21.25%
2011-12(P)	124474	8.95%	206419	11.71%	263670	18.50%
2012-13(Q)	120264	-3.38%	234987	13.83%	314765	19.37%

Source: Socio-Economic Review, Gujarat State, 2013-14¹¹ P-9

Note (P) Provisional (Q) Quick Estimates

Figure: 3 Sectoral Compositions of GSDP AT Current Prices in Rs. Crore

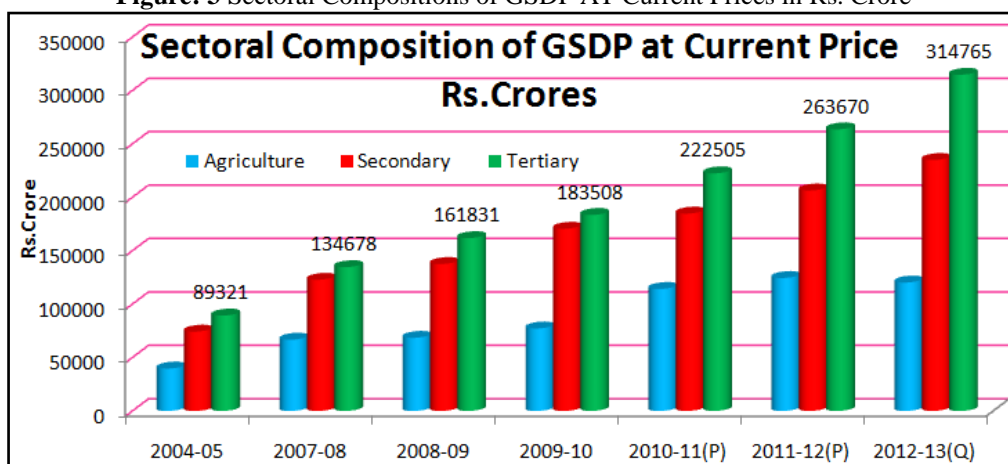
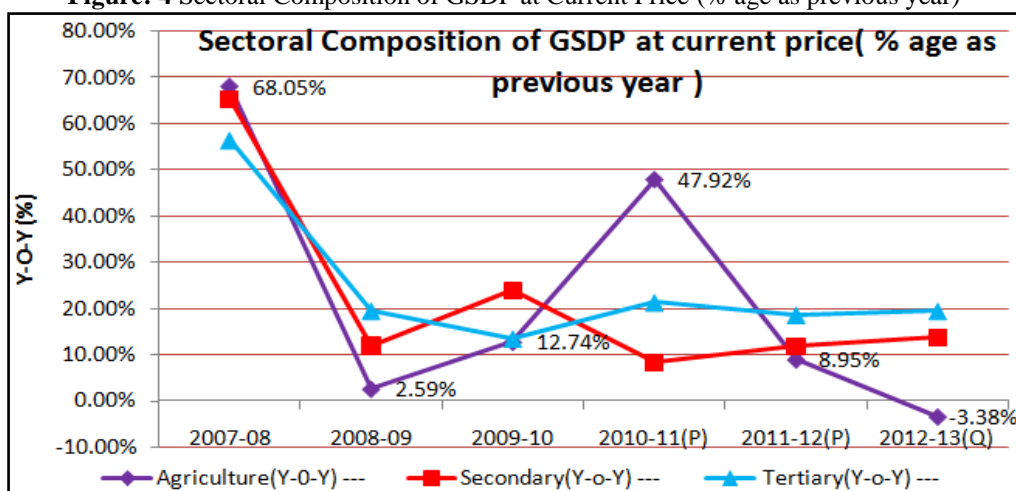


Figure: 4 Sectoral Composition of GSDP at Current Price (% age as previous year)



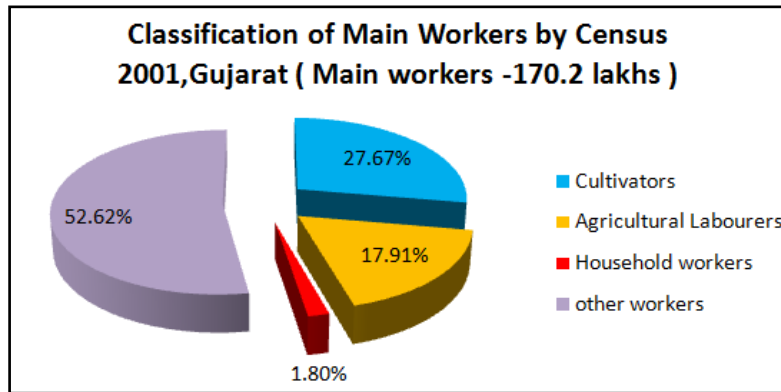
The growth in agricultural sector has shown a fluctuation during six years. This effect of negative fluctuations has been largely compensated by secondary and tertiary sector. These two sectors also have helped in sustaining the overall state economy on a positive growth.

Table: 4 Classification of Main workers (170.25 lakh) Census 2001

Classification by workers	Percent by share
Cultivators	27.67%
Agricultural Labourers	17.91%
Household workers	1.80 %
Other workers	52.62%

Source: Socio –economic review of Gujarat State 2006-07-P-4

Figure: 5 Classification of main workers by Census 2001, Gujarat State



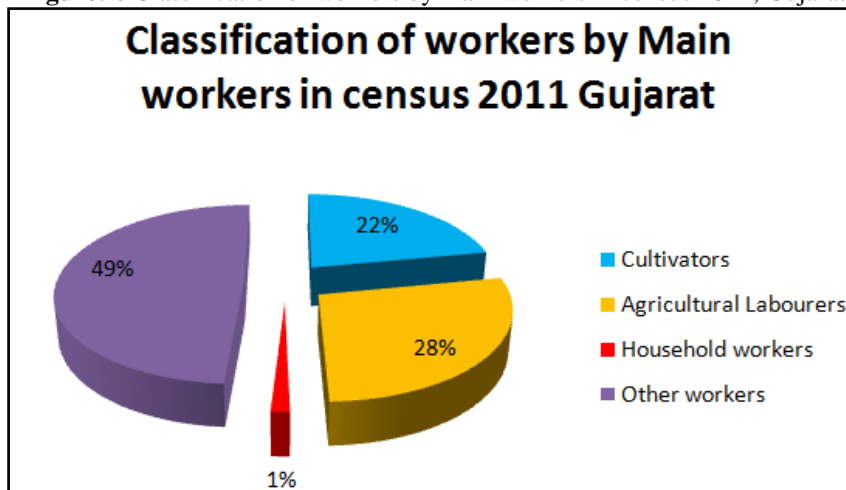
Classification of population for the year by economic activity reveals that out of the total population of 506.71 lakh in the state where 170.25 lakh (33.60%) were main workers, 42.31 lakh (8.35%) marginal workers and 294.15 lakh (58.05%) non workers. Among males 51.09 % were main workers and 3.78% were marginal workers while amongst females 14.59% were main workers, 27.67% cultivators, 17.91% were agricultural labourers, 1.80 % were engaged in household industries and 52.62% population engaged in other economic activities and about 45.58 % working population was engaged in agriculture.

Table: 5 Classification by workers, Census 2011, in Gujarat

Classification by workers	In Lakh	Percent
	by share (Census 2011)	
Cultivators (CL)	54.5	22%
Agricultural Labourers (AL)	68.4	28%
Household workers(HHW)	3.4	1%
Other workers(OW)	121.4	49%
Total	247.7	100%

Source: Socio-economic review of Gujarat State, 2012-13 P- xi

Figure: 6 Classification of workers by main workers in census 2011, Gujarat



Above figure: 9 and table: 6 indicate that Classification of population for the year by economic activity reveals that out of the total population as per Population Census 2011, the total number of workers (who have worked for at least one day during the reference year) is 247.68 lakh. Out of this, 180.01 lakh workers are males and 67.67 lakh are females. Out of the increase of 35.12 lakh workers during the decade 2001-2011, male workers have accounted for 35.02 lakh while female workers have decreased of 0.11 lakh. The work has registered a growth of 16.5 per cent during the decade. 155.7 lakh workers are in the rural areas and 92.0 lakh workers are in the urban areas. The female workers in rural and urban areas are 54.0 lakh and 13.7 lakh respectively.

Table: 6 Sectoral correlations with GSDP in % age

Year	Y-O-Y (%)GSDP	Y-o-Y %Agricultural	Y-o-Y % Secondary	Y-o-Y % Tertiary
2004-05	---	----	----	---
2005-06	19.84%	----	----	---
2006-07	16.56%	----	----	----
2007-08	16.99%	68.05%	65.28%	56.37%
2008-09	11.68%	2.59%	11.99%	19.43%
2009-10	18.06%	12.74%	23.94%	13.39%
2010-11	22.54%	47.92%	8.35%	21.25%
2011-12	12.44%	8.95%	11.71%	18.50%
2012-13	9.64%	-3.38%	13.83%	19.37%
2013-14	16.26%	NA	NA	NA

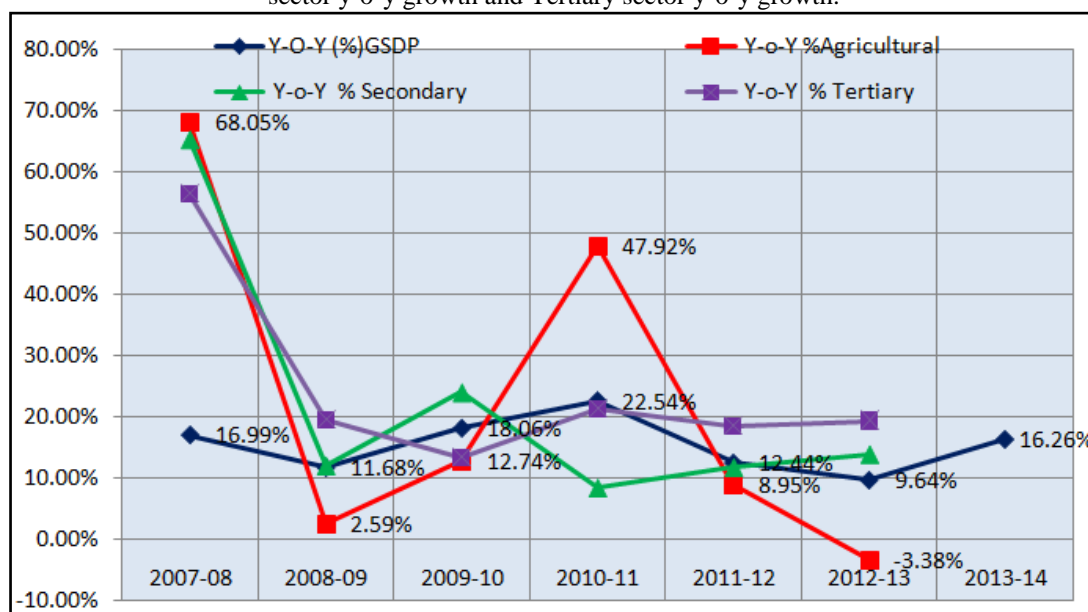
Compiled from Researcher

Table: 7 Correlation Value of three sectors with GSDP

Year	GSDP Y-O-Y %	Agriculture Y-O-Y %	Secondary Y-O-Y %	Tertiary Y-O-Y %
2007-08	16.99	68.05%	65.28%	56.37%
2008-09	11.68%	2.59%	11.99%	19.43%
2009-10	18.06%	12.74%	23.94%	13.39%
2010-11	22.54%	47.92%	8.35%	21.25%
2011-12	12.44%	8.95%	11.71%	18.50%
2012-13	9.64%	-3.38%	13.83%	19.37%
	Correlation	0.78123748	0.969537509	0.985587

Compiled from Researcher

Figure: 7 Correlation between year over year growth in GSDP & Agricultural Sector y-o-y growth, Secondary sector y-o-y growth and Tertiary sector y-o-y growth.



Findings: The three sectors of Gujarat (Agricultural Sector, Secondary Sector and Tertiary Sector) and the Gujarat State Domestic Product (GSDP) taken for analysis which has individually resulted during the 2007-08 to 2013-14, year over year basis where the GSDP is correlated with agricultural sector at 0.78123748 correlation value while GSDP with secondary sector at **0.969537509** correlation value and GSDP with tertiary sector at **0.985587** correlation value. It is concluded that the tertiary sector is highly correlated among the two sector. Therefore, we can say that the growth due to two sectors and good potential of two sectors and it's also supported the employment.

Some Challenges for Non –Farm Sector in Gujarat

- **Migration** Due to migration of rural people to urban, the workforce of rural small scale industries remain very low. As compared to technical skilled urbans, rural people need to improve their ability and new technology skills. It's quite challenging to set up firm or plant in rural area due to some barriers such as time lagging and lack of technology. Urbanization is concentrated by government policy like license to permit established firm or plant in rural and semi urban areas.
- **Higher cost** is one of the rural industry's problem and they tackle the problem of rising costs of raw materials for example the steel and textile industries based on iron and cotton shortfalls of raw materials.
- **Outdated plant and machinery** The machinery in rural and urban industries has grown obsolescent and their quality is inferior as compared to other countries and large scale units.
- **An infrastructural constraint** As per survey of small scale in India has found that they faced significant infrastructure problems. The most severe constraints are power, transportation, water and communication and another infrastructures challenges faced by rural small industries like beverages, tobacco, printing, publishing, basic chemicals paint & varnishes and drugs and medicines.
- **Finance & Credit** The availability of finance and credit is not easy to rural people and they always face challenges, the scarcity of finance and credit. The capital base of the small industries in this context is worse. The rural artisans or craftsmen are running small industries or cottage industries either on little capital they possess or take credit from indigenous bankers or the traders or mahajan who supply raw materials to them. In many cases such credit is obtained on a very high rate of interest and it's exploitative in character due to that there has increased production cost of the artisans.
- **Marketing** In the comparison of large scale industries and others foreign countries' qualities of product are superior then village industries or services. Therefore, they suffer from a competitive disadvantage from large scale industries. Because of financial and capital availability, these village industries has do not have adequate 'Staying Capacity' and often forced to sell their product at unremunerative prices¹².

III. Conclusion

The rural non-farm sector is increasingly playing a vital role in the development of rural areas in Gujarat and the Indian villages regions. Specifically, as agriculture in this region declines in importance in terms of its contribution to the economy, the Rural Non –Farm Sector will need to become a major provider of employment and income to many rural people. It should be noted, that Rural Non–Farm Economy can't be substituted for employment in agriculture but it is a supplementary measure in India. Agricultural development is still important and should be pursued as a necessary precondition. The encouragement of Rural Non –Farm Sector also should be undertaken within the broader context of rural development.

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