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# RURAL NON-FARM SECTOR OF PUNJAB: A DISTRICT LEVEL ANALYSIS

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**Abstract**

*The present study is base on a primary survey of 430 owners of rural enterprises in Punjab. Field analysis clearly reveals that most of the families (72.8%) are nuclear. Field analysis, There are the glimpse of backwardness as 8.40% of total household were still reside in kaccha type and 27% semi-kaccha houses. Retail activity emerged as a main activity in rural nonfarm enterprises but Professional Service & Education and processing of raw material is least developed sector in rural non farm sector. It is disheartening to note that more than seventy percent owners of rural nonfarm enterprises earn less than rupees five thousands per month whereas only thirteen percent people earn more than rupees ten thousands or more per month. Hence rural nonfarm enterprises are working on subsistence mode only and are not viable in the long run. Hence, rural non-farm sector needs serious attention of policy makers and strong intervention of the government.*

**Keywords:** *Rural Non-Farm, District, Occupation, Income, Socio-Economic and Enterprises.*



## Introduction

Agricultural income in the National GDP decreases with the number of rural people moving towards the non-farm sector. Structural Changes contribute to the recent interest in the non-farm economy Historical evidence points out that growing number of rural workers doing non-farm work. This is in part due to the slow growth of agricultural labor and in part due to the increasing division of rural areas between farm and non-farm work due to the strong demand for non-food goods and services in relation to changes in household income and agricultural production. Rapid expansion of rural nonfarm sector is imperative for the development and transformation of rural economy. Rural nonfarm sector is emerging as driver of rural transformation. Labour force have been joining the RNFS continuously because of the "push" factors in agriculture or because of the "pull" factors of the RNFS. Push factors include increased agricultural risks, declining profits and rising land fragmentation etc. Pull factors include rising income in non-farm sector and development of skills etc. Further, forward or backward linkages also determine the level of development in rural non-farm sector which ultimately leads to rural transformation. Growth of urban areas leads to development of those rural non-farm sectors which are near to the former (Lanjouw and Murgai 2008). Small towns are closely linked to rural areas and have a strong impact on the growth of non-agricultural activities. This is expected to happen through processes such as a small contract in neighboring districts, a situation that is growing very rapidly.

Reliance on RNFS by rural families was significantly higher in the developed region compared to the developing or backward region. Experts have broadly divided the employment available in the non-farm sector into two broad categories - 'high productivity' and 'low productivity'. It is noteworthy that households with high farm size groups play a major role in ‘highly productive’ non-farm employment while those from small farm groups are heavily confined to less productive work.The non-farm sector reflects a dual participation pattern, i.e., high-income (HI-NFA) and low-income (LFA) activities. Landless workers are heavily involved in LI-NFA and groups with large farms are more active in HI-NFA. The dual pattern has significant implications for the limited share of rural groups on non-farm income. Therefore, it is argued that the poor and landless do not earn much money from non-farms. In fact, the rich get more non-farm income, either because they can do their business on a farm, or because they earn income from the services sector by renting or spending money like their tractors and trucks, or because farm income feeds their family. Hence it is argued that non-farm employment is very important for survival strategies.

**Review of Literature:**

Non-farm work serves as a residual sector so that workers who do not focus entirely on agriculture can focus on non-agricultural activities (Vaidyanathan, 1986). The difference is that agricultural 'pushes' rural households to diversify into non-farm activities to reduce the risk of agriculture or increase family income in the event of a livelihood crisis. Some recent evidence suggested that non-farm work increased household income rather than reduced risk (Coffey et al. 2012). Since the 1990s, 'pull-off' items, especially urban migration, have been identified as promoting non-farm growth (Papola, 1992), citing strong evidence that non-farm employment increased rapidly when income of urban area increases (Lanjouw and Murgai, 2008). Labour force have been joining the RNFS continuously because of the "push" factors in agriculture or because of the "pull" factors of the RNFS..

**Data, Sample and Research Methodology:**

The sample area for the study is rural Punjab. Geographically, Punjab is divided into three regions; Majha, Malwa and Doaba. In this study, sample is selected from all the three regions by proportionate random sampling technique. Out of all the three regions, the sample size from each district is taken proportionately as per its share in total rural population. A representative sample of 430, who are owners of enterprises in the age group of 15-59 is selected in proportion to the population size of the village. The analysis of Quantitative data is done with the appropriate statistical techniques. Also to get the deeper insight the field observation techniques is employed. In this context, brief socio-economic background of these 470 respondents is discussed.

**Socio Economic Profile of Respondent Operating their Own Rural Non-Farm Enterprises:**

In our sample, there are 430 respondents who are owners of rural non-farm enterprises. Their socio-economic profile is discussed in context of family structure, distribution of social groups in various districts on the basis of their occupation and income level . Field analysis clearly reveals that most of the families (72.8% ) are nuclear. The glimpse of backwardness can be seen as 8.40% of total household reside in kccha type and 27% reside in semi-kaccha house. District wise analysis shows that about 80% respondents from Jalandhar, Gurdaspur and Hoshiarpur were having Pucca Houses However, Sangrur is the only district where more than 50% of households house were still reside in kaccha houses.

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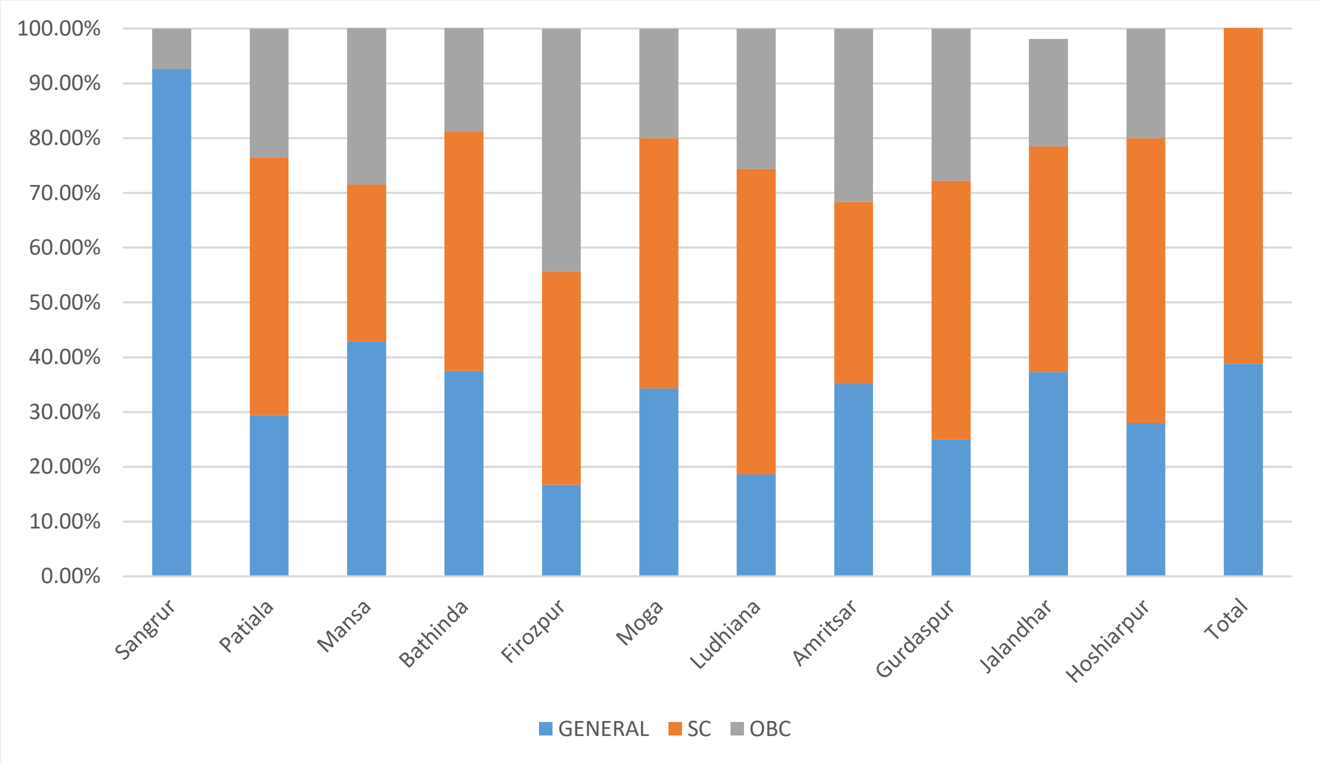
**Graph 1: District Wise Distribution of Rural Non-Farm Enterprises among Social Groups**




*Source: Author's Calculation from Primary Survey Note: figures in parentheses are percentages.*

Graph 1 It shows that Sangrur district have 92.6% of respondents belongs to General category, 4.4% of respondents belongs to other backward classes. Patiala district have of 29.4% of General category respondents, 47.1% respondents of Schedule caste category. In Mansa district 42.9% belongs to General category, 28.6% belongs to Schedule caste and other backward classes. In Bathinda district 35.5% of respondents belong to General category, 43.8% belongs to Schedule caste category and 18.8% represent other backward classes. More or less other districts also reflect same distribution also.

**District Wise Primary Occupation of Respondent's:** Table 1 reveals that in Sangrur district; 5.6% of total population sample is engaged in primary activities like agriculture and allied activities, 1.9% of population is engaged in car, bike repair shop, around 3.7% are in construction & maintenance,1.9% are Drivers, 11.1% in food & beverages, around 3.7% are engaged in medical and in professional service & education each, 31.5% are in retail. 14.8% are in workshop, and 3.7% are engaged in other activities. In Patiala district, 3.9% of total population sample is engaged in primary activities like agriculture and allied activities. 3.9% of population is engaged in car, bike repair shop. Around 3.9% are in Construction & maintenance. Around 5.9% in electronics & electrical repair/sale. 5.9% in food & beverages. Around 7.8% are engaged in medical. 5.9% are in mobile, telecom &computers. 9.8% are in personal services & entertainment.

**District Wise Average Monthly Income( Rs.)of the Respondents Operating Enterprises:**

Table 2 depicts that around 71.20% respondents are earning the monthly income of less than Rs.5000 and 14.7% of respondents are earning the monthly income between Rs.5000 to 10000.

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Table 2: District Wise Average Monthly Income( Rs.)of the Respondents Operating Enterprises

| Districts | 1000-5000 | 5001-10000 | 10001-15000 | 15001 and above | Total |
|---|---|---|---|---|---|
| Sangrur | 54(100) | 0 | 0 | 0 | 54(100) |
| Patiala | 36(70.6) | 9(17.6) | 5(9.8) | 1(2.0) | 51(100) |
| Mansa | 21(75.0) | 6(21.4) | 1(3.6) | 0 | 28(100) |
| Bathinda | 15(46.9) | 9(28.1) | 4(12.5) | 4(12.5) | 32(100) |
| Firozpur | 12(66.7) | 2(11.1) | 4(22.2) | 0 | 18(100) |
| Moga | 21(60.0) | 4(11.4) | 5(14.3) | 5(14.3) | 35(100) |
| Ludhiana | 31(72.0) | 6(14.0) | 6(14.0) | 0 | 43(100) |
| Amritsar | 30(52.6) | 10(17.5) | 9(15.8) | 8(14.1) | 57(100) |
| Gurdaspur | 28(77.8) | 3(8.3) | 3(8.3) | 1(2.8) | 36(100) |
| Jalandhar | 37(72.5) | 11(21.6) | 3(5.9) | 0 | 51(100) |
| Hoshiarpur | 21(84.0) | 3(12.0) | 0 | 1(4.0) | 25(100) |
| Total | 306(71.2) | 63(14.7) | 40(9.3) | 21(4.9) | 430(100) |

*Source: Author's Calculation from Primary Survey Note: figures in parentheses are percentages.*

Around 9.3 respondents are earning the monthly income between Rs. 10000 and Rs. 15000. Only 4.3% of respondents are earning the monthly income above Rs. 15000. District wise comparison depicts that respondents of Firozpur, Amritsar, Moga and Ludhiana having average monthly income are 22.20%, 15.80%, 14.30% and 14.00% respectively in the category between Rs. 10000 to 15000.

**District And Category Wise Nature of Ownership in Rural Non-Farm Enterprises:**

An attempt is made to understand the nature of ownership in rural non-farm enterprises. Table 3 shows whether respondents do business as a single proprietoror do business in partnership.

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**Table 1: District Wise Primary Occupation of Respondent's***

| Districts | Sangrur | Patiala | Mansa | Bathinda | Firozpur | Moga | Ludhiana | Amritsar | Gurdaspur | Jalandhar | Hoshiarpur | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture & Allied activities | 3 (5.6) | 2 (3.9) | 2 (7.1) | 2 (6.3) | 0 (0) | 4 (11.4) | 4 (9.3) | 3 (5.3) | 3 (8.3) | 4 (7.8) | 0 (0) | 27 (6.3) |
| Car, Bike Repair Shop | 1 (1.9) | 2 (3.9) | 2 (7.1) | 3 (9.4) | 1 (5.6) | 2 (5.7) | 5 (11.6) | 5 (8.8) | 1 (2.8) | 1 (2) | 1 (4) | 24 (5.6) |
| Construction & Maintenance | 2 (3.7) | 2 (3.9) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 2 (3.5) | 0 (0) | 2 (3.9) | 0 (0) | 8 (1.9) |
| Driver | 1 (1.9) | 0 (0) | 0 (0) | 0 (0) | 3 (16.7) | 0 (0) | 2 (4.7) | 0 (0) | 3 (8.3) | 3 (5.9) | 2 (8) | 14 (3.3) |
| Electronics & Electrical Repair/sale | 0 (0) | 3 (5.9) | 2 (7.1) | 2 (6.3) | 1 (5.6) | 2 (5.7) | 3 (7) | 2 (3.5) | 1 (2.8) | 4 (7.8) | 1 (4) | 21 (4.9) |
| Food & Beverages | 6 (11.1) | 3 (5.9) | 2 (7.1) | 8 (25) | 1 (5.6) | 6 (17.1) | 1 (2.3) | 8 (14) | 7 (19.4) | 5 (9.8) | 0 (0) | 47 (10.9) |
| Medical | 2 (3.7) | 4 (7.8) | 0 (0) | 2 (6.3) | 1 (5.6) | 3 (8.6) | 2 (4.7) | 1 (1.8) | 1 (2.8) | 7 (13.7) | 2 (8) | 25 (5.8) |
| Mobile, Telecom & Computers | 0 (0) | 3 (5.9) | 0 (0) | 2 (6.3) | 1 (5.6) | 2 (5.7) | 3 (7) | 3 (5.3) | 2 (5.6) | 3 (5.9) | 2 (8) | 21 (4.9) |
| Personal Services & Entertainment | 1 (1.9) | 5 (9.8) | 2 (7.1) | 2 (6.3) | 2 (11.1) | 4 (11.4) | 2 (4.7) | 1 (1.8) | 1 (2.8) | 6 (11.8) | 4 (16) | 30 (7) |
| Processing of Raw Material | 2 (3.7) | 2 (3.9) | 4 (14.3) | 1 (3.1) | 1 (5.6) | 0 (0) | 2 (4.7) | 2 (3.5) | 1 (2.8) | 0 (0) | 0 (0) | 15 (3.5) |
| Professional Service & Education | 2 (3.7) | 1 (2) | 0 (0) | 0 (0) | 0 (0) | 1 (2.9) | 0 (0) | 1 (1.8) | 1 (2.8) | 1 (2) | 1 (4) | 8 (1.9) |
| Retail | 17 (31.5) | 12 (23.5) | 11 (39.3) | 7 (21.9) | 4 (22.2) | 9 (25.7) | 10 (23.3) | 19 (33.3) | 10 (27.8) | 7 (13.7) | 10 (40) | 116 (27) |
| Scrap | 0 (0) | 1 (2) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 1 (1.8) | 0 (0) | 0 (0) | 0 (0) | 2 (0.5) |
| Shoe Making | 1 (1.9) | 1 (2) | 0 (0) | 0 (0) | 1 (5.6) | 1 (2.9) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 4 (0.9) |
| Tailor | 1 (1.9) | 3 (5.9) | 2 (7.1) | 3 (9.4) | 0 (0) | 0 (0) | 4 (9.3) | 1 (1.8) | 2 (5.6) | 3 (5.9) | 1 (4) | 20 (4.7) |
| Wood Working | 5 (9.3) | 2 (3.9) | 0 (0) | 0 (0) | 0 (0) | 1 (2.9) | 2 (4.7) | 3 (5.3) | 0 (0) | 4 (7.8) | 1 (4) | 18 (4.2) |
| Workshop | 8 (14.8) | 5 (9.8) | 1 (3.6) | 0 (0) | 2 (11.1) | 0 (0) | 2 (4.7) | 5 (8.8) | 2 (5.6) | 1 (2) | 0 (0) | 26 (6) |
| Other | 2 (3.7) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 0 (0) | 1 (2.3) | 0 (0) | 1 (2.8) | 0 (0) | 0 (0) | 4 (0.9) |
| Total | 54 (100) | 51 (100) | 28 (100) | 32 (100) | 18 (100) | 35 (100) | 43 (100) | 57 (100) | 36 (100) | 51 (100) | 25 (100) | 430 (100) |

*Source: Author's Calculation from Primary Survey Note: figures in parentheses are percentages.*
**See District Wise Primary Occupation of Labourers in Appendix Table 3.11*

**Table 3: District And Category Wise Nature of Ownership in Rural Non-Farm Enterprises**

| **Districts** | **Single** | **Partnership** | **Total** |
|---|---|---|---|
| Sangrur | 48(88.9) | 6(11.1) | 54(100) |
| Patiala | 46(90.2) | 5(9.8) | 51(100) |
| Mansa | 28(100) | 0 | 28(100) |
| Bathinda | 32(100) | 0 | 32(100) |
| Firozpur | 18(100) | 0 | 18(100) |
| Moga | 35(100) | 0 | 35(100) |
| Ludhiana | 40(97.6) | 1(2.4) | 41(100) |
| Amritsar | 52(91.2) | 5(8.8) | 57(100) |
| Gurdaspur | 36(100) | 0 | 36(100) |
| Jalandhar | 51(100) | 0 | 51(100) |
| Hoshiarpur | 25(100) | 0 | 25(100) |
| Total | 411(96.0) | 17(4.0) | 428(100) |
| **Category** | **Single** | **Partnership** | **Total** |

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|---|---|---|---|
| General | 157(94.6) | 9(5.4) | 166(100) |
| SC | 150(97.4) | 4(2.6) | 154(100) |
| OBC | 95(96.0) | 4(4.0) | 99(100) |
| Other | 9(100.0) | 0 | 9(100) |
| Total | 411(96.0) | 17(4.0) | 428(100) |

*Source: Author's Calculation from Primary Survey Note: figures in parentheses are percentages.*

Overall, Table 3 shows that 96.0% of all respondents do business as a single proprietor; while a very small percentage (4%) do business in partnership. However, according to district level analysis, all the respondents from Mansa, Bathinda, Firozpur, Gurdaspur and Jalandhar and Hoshiarpur districts do business as a single proprietor, while Sangrur is the only district where 11.1% of respondents work with others which is highest among other districts. However, analysis of categories showed hat 97.4% of respondents in schedule caste were doing business alone, while in the general category, 5.4% of respondents doing businesses in partnership as compare to other categories.

**Conclusion and Policy Implication:**

More than 80 % respondents from Jalandhar and Hoshiarpur having nuclear families. On the other hand around 40 % respondents from Patiala, Moga, Bathinda having joint families. District level analysis clearly shows that Sangrur district have 92.6% of respondents belongs to General category and only 4.4% of respondents belongs to other backward classes. But even then Sangrur is the only district where more than 50% of households house were still of kaccha type, which manifest lower level of socio economic development. It is interesting to note that retail is dominant enterprising activity. Further, Mansa and Hoshiarpur about 40 percent respondents are doing retail as a source of livelihood and in Jullundhur only 10 percent respondents are doing retail activity. As per disaggregate analysis of rural non-farm enterprising activities, retail service is the main enterprising activity of 27% of the total respondents in non-agricultural sector followed by Food and beverages (10.9%). About 7.0% of respondents are engaged in personal and entertainment services in rural areas of Punjab. Nearly 6.3% of the respondents are engaged in agriculture and related activities. About 6% and 5.8% of respondents worked in rural non-agricultural activities at workshop and in medicine, respectively. However, according to occupational classification of labourers, the primary occupation of labourers is casual work (42.09%) followed by Aaganwadi and Asha worker (8.41%). Mason (7.20%) and Brick Kiln work (6.92%) are the other major occupations in the rural non-farm sector. The disaggregate analysis shows that in most districts the service sector enterprises is the primary source of occupation. However, the results show that in Hoshiarpur, 92% of rural businesses are active in the service sector, primarily retail, with little interest in other key occupations such as manufacturing and commerce. However, 72.3% of rural enterprises are in the service sector and 16% of rural enterprises are engaged in production-related work. In addition, 7% of respondents are engaged in trade and about 5% are related to processing activities. District wise comparison depicts that respondents of Firozpur, Amritsar, Moga and Ludhiana having average monthly income are 22.20%, 15.80%, 14.30% and 14.00% respectively in the category between Rs. 10000 to 15000. Lower level of manufacturing, production and processing activities and lower level of income at rural level is a serious cause of concern and demands the attention of policy makers. Hence present study can be

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used by policy makers as a roadmap for specific development of the district and different clusters can be developed .

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