

RURAL LIVELIHOOD DIVERSIFICATION AND ITS MEASUREMENT ISSUES: FOCUS INDIA

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Abstract

The rural structural distinctiveness in terms of resource endowments and factors of production often has bearings on livelihood and well-being of their people, constraining improvement in the economic conditions of farm households solely through farming operations. There is an emerging consensus that the livelihood security and well being of rural households improve with the blending of non-farm economic activities with farm activities and such diversification of rural livelihood positively impacts the farm efficiency. This paper delves into its multiple dimensions and its measurement with respective conceptual framework, indicators, data inputs from multiple sources and data limitations, with focus on analytical inferences for India. Accordingly the paper articulates the need for further studies on its different dimensions, improvement in the measurement, and data exploration for furthering the rural livelihood development.

Keywords: *Rural households, Labour force*

Introduction

The issues concerning rural development are largely centered on the iniquitous income, opportunities and access of its populace. These inequities assume accentuated proportions when compared with urban segments. There is fundamental structural differentiation between rural and urban segments in terms of respective factors of production due to the distinct characteristic of rural economies. On account of relatively much intense and intrinsic relationship with natural endowments, the rural economies are generally oriented to production of primary goods. There is a fair generalization in stating that aggregated income accrual to the rural households from production of such primary goods is higher than the urban households. The rural sectors, in turn are net suppliers of primary produce and generally, the net consumers of secondary and tertiary goods and services. The demographics, human and natural resource endowments and their linkages lead to varying permutations of the dichotomy of economic activities and income generation of people and the resultant inter and intra regional differentiations in livelihood and well-being.

The rural urban structural dichotomy is sharper and more dynamic in developing countries. Firstly, the urban expansion and contraction of the share of primary sector (read agriculture) in their GDP is adjunct to the overall development process. If demographic

structures in a region are rigid or less dynamic than the pace of restructurings of subsectors resultant to economic growth, the rural urban divide in terms of per capita income accrual is poised for further widening. Secondly, to meet the food security of increasing population, the food factory (the primary agricultural production) would have to be operated more intensely and this process, being land based, would remain located in non urban areas. In other words, there is practically no scope of relocation of agricultural activities, a flexibility enjoyed by non-farm activities. Thirdly, in medium and long term, growth of agrarian segments cannot be placed at the ambitious levels of urban based and urban biased manufacturing and service sectors. It may be argued that even in the event of accelerated economic growth, as witnessed in some of the developing countries with prominent agrarian presence such as India and China, the growth ambitions from agriculture sector would need to be moderate and sustainable with concern for stress on natural resources of water and soil and due to the technological constraints.

The demographic pressure and socio economic inequalities in rural domains of developing countries further complexes the relationship between humans and endowment. For instance, about 30% of world population is in the developing countries of South and South - East Asia with less than 7% world landmass. As derived from FAO Statistics (FAO 2005) this region has almost 40% of world's agricultural dependent population with less than 20% global arable land resources. With such uneven distribution of production assets, low levels of literacy, skills, awareness and connectivity and limitations of alternative options for livelihood, the high prevalence of poverty in these regions becomes the structural corollary.

Rural Economic Diversification - Multiple dimensions

The term "Economic Diversification" relates to the production of diverse goods and services in a production boundary. In turn, it also relates to pursuance of diverse economic activities by the people of a geographic domain for producing larger range of goods and services. Eventually, the diversity of production and economic activities of the people results into income flows from diverse sources. Such diversification is triggered by the use of resources for production of goods and services from available alternative choices. Often the process of alternative choices also takes into account the efficiency of resource use as well as the opportunity of resource use. Resource allocation itself may get triggered, generally by economic forces, though sometimes there may be non economic reasons, compelling the people to undertake alternative activities. The study domains of economic diversification therefore are certain production boundaries on time and space, and require appropriate observational units and quantitative indicators. Lately, the subject is involving the social scientists to assess its incidence and impact on well being of populace.

As stated above, there is general acknowledgement that not only the economic condition of rural household improves with the blending of non-farm economic activities

with farm activities; it has positive impact on efficiency of their farm enterprises. It integrates with the multi-pronged strategy in the framework of action against poverty, stimulating enhancement of entitlement and access. The opportunities, empowerment and security are the three factors that have complimentary and supplementary role in neutralization of economic deprivation. These three factors are also closely associated with the process of economic diversification. If the opportunity of doing multiple activities enhances returns and exposure and thereby empowers the economic and social wellbeing, the empowerment through literacy, skill, knowledge, awareness, resources and connectivity improves the capacity and scope of harnessing the opportunities. The resultant derivatives are augmented remuneration and returns from diverse sources, contributing to stability of economic condition, security, reduction in vulnerability and risk mitigation. Therefore, studies on different dimensions of diversification of rural economy, improvement in the measurement, factorization and impact and exploration of its indicators are needed for furthering rural livelihood development and well-being.

There are two ways to look into livelihood diversification. One, the individuals and / or their groups perform different activities. In other words, the individuals are capable to engage in the alternative choices in the labour market and undertake different forms of rural employment; both farm as well as nonfarm. From the point of view of rural development, the rural employment diversification is considered to be driving force. Two, the rural income diversification enabling individuals or households to have income sourced from the diversified sources. There is differentiation in employment diversification and income diversification as both are broadly complementary but may not necessarily be synonymous. The employment diversification is measured in terms of labour force participation in diverse industries and occupation. The wages and remunerations from different employment would add up to income. However, the income diversification is more comprehensive, since it would also account for transfer payments (rents, interests, dividends etc.) to individuals.

Rural Livelihood Diversification: Some measurement Issues

The livelihood, either in terms of income or activity participation, is the issue to be measured first in its micro existence where it relates to the individuals residing in different population domains. However, from the point of view of generation of statistics on socio economic characteristics, an individual is identified through the household. "A central feature of the household is that there is a high degree of pooling of income and expenditure. This means that assessment at the level of the household is more meaningful in representing the potential command over goods and services than would be the case if the incomes of the individual members were treated separately.

Conclusion

The rural and urban economies as well as agrarian and non agrarian professions in a comprehensive logical framework. In the process, it had dealt at length on the needs of data and indicators for measuring conditions of rural household economies. There is a realistic realization on limitations of generalization of these perspectives over the countries, particularly for developed and developing countries, yet the standardization of measurements in broad coverage of concepts and definition is also acknowledged. This stepping-stone provides scope for further profiling the statistical indicators on livelihood stability and security of rural and particularly farm households. Measurements of rural livelihood diversification and its impact on and relationship to empowerment, opportunity and security of rural population is an important area. The present paper has emphasized the data needs for deeper synthesis of rural economic composition. There is relatively a better availability of data and inferences on livelihood measurement in terms of work participation as compared to income assessment for the rural households. This may not be a generalization, yet may be holding in case of several statistical systems. However, the household income data definitely enhances the scope of such analysis and resultant policy inferences. There are problems in generating rural household income data in the disaggregation of the income sources. This is more so in cases of preponderances of informal, unorganized and mixed activities in households. Nevertheless, given the complementary nature of these two alternative approaches, the indicators on rural livelihood diversification may be further improved and taken amongst the development indicators.

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