

Urbanization in India and Its Impact on Rural Poverty and Rural Non-farm Employment

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ABSTRACT

In India, rural non-farm sector plays a catalytic role for rural development in terms of income and employment and thus, provides a substantial solution to rural poverty. Here, the simple reflection is to transform the labourforce from farm sector to non-farm sector. The process of this transformation is usually referred as urbanization and is a necessary factor behind economic growth. In this connection, present paper seeks to examine the impact of urbanization on rural non-farm employment and rural poverty in the Indian economy by using household survey data of 71 NSS regions in two different time periods. The findings reflect that urbanization has a substantial significant impact on rural non-farm employment and rural poverty. However, the effect is more on rural non-farm employment in contrast to rural poverty. This signifies that urbanization has a direct contribution to rural non-farm employment and thus, indirectly influence the rural poverty.

Introduction

The term 'urbanization', usually, refers to the process of concentration of people in the densely populated settlements, where majority of the people derive their livelihood from non-primary occupations (Chaudhuri, 2001). On the basis of western experience, urbanization is considered as a finite process, a cycle through which nations go in their transition from agrarian to industrial society (Rao et al. 2004; Davis, 1972). A basic feature of this transition is the profound switch from agricultural to non-agricultural employment. An important hallmark of the industrial society is the concentration of more and more economically active population in manufacturing and service sectors. This is because both manufacturing and service sectors have higher productivity and as a result, they absorb more labourforce by providing higher wages and hence, population agglomeration.

Urbanization, in general, gained its momentum in the nineteenth century following the industrial revolution and the discovery of steam engine. This era saw

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a phenomenal development of transport as well as industrial production, which provided employment to the rural surplus labour leading to the concentration of people in settlements specializing in non-primary production systems. Consequently, the growth of the industrial sector, which is necessary for economic growth, is expected to be accompanied by an acceleration of the process of urbanization. In other words, urbanization is a process of massive shifts of labour and capital from predominantly rural to predominantly urban areas/activities.

Urbanization, in recent time, is treated as an index of both modernization and economic development. Different urbanization levels, however, reflect different degrees of economic development (Prasad, 1995). It is a multi-faceted process and to a large extent, it depends upon the incentives for industrial and service sector development. In other words, it is an inevitable process that experienced by all nations in their transition from agrarian to industrial societies. According to Mills and Becker (1986), urbanization reflects the transformation of labourforce from agriculture to industry and service sector and is a necessary factor behind the economic growth. Capital accumulation and technological change seem to be the most important determinants of this shift.

It is, in fact, true that technological progress is likely to be faster in industry than that of agriculture. This is simply because industrial technology is more often directly transferable from developed to developing countries in contrast to agricultural technology. Moreover, the latter depends upon climate, soil and other geographically specific factors. Usually, a highly educated labour force may have better opportunities in the industrial and service sectors in comparison to agriculture. In an open economy, cost reduction can result in large increases in output and employment with small decreases in the prices of traded commodities.

As per the above-mentioned factors, there is growing demand for industrial commodities and simultaneously, there is also falling of cost in the agricultural sector. This leads to an increase of industrial production and employment in the economy. At the same time, it necessitates an increased service facilities for various purposes like the distribution of increased output, financial management through banking and financial institutes as well as civic services facilities for the population experiencing increase in income levels. Economic development, thus, foretells industrialization and which, in turn, promotes the concentration of people in the urban areas, where maximum attempt is made to economize on land inputs (i. e. the land requirement per unit of output being less than the agricultural sector). In the modern world, the problem of large urban concentrations is not only for the advanced countries but also affects all areas with dense population and consequently, in large cities. In a mature system of cities, standardized manufacturing production tends to be de-concentrated into smaller and medium size metropolitan areas (Hicks, 1974). However, the production in large metropolitan

areas focuses on services, R & D and non-standardized manufacturing. The problem in today's developing countries is that they appear to be strong biases toward excessive concentration (Henderson, 2002).

Indeed, in the world, striking differences are apparent between the more developed and less developed regions with respect to their patterns of urbanization. While most of the population of the less developed regions currently lives in rural areas, the bulk of the population of the more developed regions resides in urban areas. Moreover, the urban population of the less developed regions has been growing considerably faster than that of the more developed regions and as a result, its share of the world urban population has been rising (UNPD, 2001). Interestingly, the more developed regions have a low rate of urbanization, ranging between 0.2% and 0.4% per year, which are expected to remain at 0.77% in 2025 and will at 0.72% in 2030. In contrast, the rate of urbanization of the less developed regions, which was mostly 1.8% to 1.9% per year from 1950 to 1990, is expected to remain above 1% per year until 2025 and will still be 0.9% in 2025-2030 (See Table 1). It is expected, at that rate, that the proportion of urban population in the less developed regions would reach 70% by 2054 (UNPD, 2001).

Table 1
Proportion of Urban and Rate of Urbanization for the World, The More Developed Regions and the less Developed Regions, 1950-2030

<i>Year</i>	<i>Proportion of Urban (Percentage)</i>			<i>Period</i>	<i>Urbanization Rate (Percentage)</i>		
	<i>W</i>	<i>MDR</i>	<i>LDR</i>		<i>W</i>	<i>MDR</i>	<i>LDR</i>
1950	29.8	54.9	17.8				
1955	31.7	58.0	19.6	1950-1955	1.22	1.12	1.91
1960	33.7	61.4	21.6	1955-1960	1.23	1.14	1.91
1965	35.5	64.6	23.6	1960-1965	1.07	1.02	1.80
1970	36.8	67.7	25.1	1965-1970	0.68	0.92	1.23
1975	37.9	70.0	26.8	1970-1975	0.64	0.68	1.29
1980	39.6	71.5	29.3	1975-1980	0.88	0.42	1.82
1985	41.5	72.7	32.1	1980-1985	0.90	0.33	1.79
1990	43.5	73.7	35.0	1985-1990	0.95	0.29	1.76
1995	45.3	74.6	37.7	1990-1995	0.82	0.23	1.44
2000	47.2	75.4	40.4	1995-2000	0.84	0.21	1.39
2005	49.3	76.3	43.1	2000-2005	0.86	0.25	1.33
2010	51.5	77.4	45.9	2005-2010	0.86	0.29	1.24
2015	53.7	78.6	48.6	2010-2015	0.84	0.32	1.16
2020	55.9	79.9	51.3	2015-2020	0.81	0.33	1.07
2025	58.1	81.3	53.9	2020-2025	0.77	0.34	0.98
2030	60.2	82.6	56.4	2025-2030	0.72	0.32	0.90

Note: W: World; MDR: More Developed Regions; and LDR: Less Developed Regions.

Source: World Urbanization Prospects, 2001.

It is substantial true that during the fifties and sixties of the 20th century, a large number of developing countries indeed experienced a very rapid growth in their urban population, particularly in their capital or few leading cities, resulting into high degree of primacy. Many researchers and governments in the developing countries considered that this rapid growth of urban population and high primacy (concentration of population and activities in the leading cities) has a major impediment in realizing their development goals of equitable development. Several explicit and implicit policies were adopted by governments of many developing countries for slowing down the urban growth particularly the population growth in large cities, by focusing on reducing the migration to these cities from rural areas. The latest data on world urbanization, however, shows that at the beginning of the twenty-first century, a number of developing countries do not have even one third of their population in urban areas. Besides, there is a considerable slowing down in the rate of urbanization as well as rate of urban population growth in the past two decades in most of developing countries. In India, the latest census data also confirms the same.

Keeping in above view, the preset paper makes an attempt to analyze the trend of urbanization in India and its impact on rural poverty and rural non-farm employment. The rest of the paper is organized into seven different sections including the earlier introduction. Section II discusses the trends of urbanization in India. Section III highlights the trends of rural poverty in the Indian economy. Section IV discusses the importance of rural non-farm employment in India and its trend. Section V describes the analytical framework to integrate the rate of urbanization with rural poverty and rural non-farm employment. Section VI discusses the estimated Results and its description. Section VII finally highlights the concluding comets and the policy implications thereof.

Urbanization in India

In India, to define the place of urban, definitional changes adopted by different Indian censuses of India has been considered here. Accordingly, the definition of urban is substantially dynamic in nature. However, the major changes in the definition of urban in India took place between 1951 and 1961. As a result, about 810 towns of 1951 were declassified as rural in 1961 and since that, the definition of urban place in the Indian census has remained more or less stable. It simply represents as a place, where municipality, corporation, cantonment board or notified areas exist. Moreover, an area can be considered as urban, if it satisfies the following conditions: First, having a minimum population of 5000; Second, having at least 75% or more male working population engaged in non-agricultural activities; Third, having a population density of at least 400 persons per Sq. KM.

Besides, some places that do not satisfy these above conditions can also be classified as urban, if they have distinct urban characteristics such as major project

colonies, areas of intensive industrial development, railway colonies, university campus, important tourist centers, etc. In India, there has been steady increase in the size of country's urban population in the last 100 years. The urban population of the country has increased by more than 10 times from 26 millions in 1901 to 285 millions in 2001 (Table 2). India is now become the second largest country in the world in terms of maximum urban population. Her size of urban population exceeds even the total population of each country in the World except China (HDR, 2001). In 1901, only 10.8% of the population lived in urban areas and its proportion has increased to 17.0% in 1951 and 28.0% in 2001.

Table 2
Trends of Urbanization in India

<i>Year</i>	X_1	X_2	X_3	X_4	X_5
1901	1916	25.9	10.8	—	—
1911	1908	25.9	10.3	0.0	-0.46
1921	2048	28.1	11.2	0.8	0.87
1931	2220	33.5	12.0	1.7	0.71
1941	2422	44.2	13.8	2.8	1.50
1951	3060	62.4	17.3	3.5	2.54
1961	2700	78.9	18.0	2.3	0.40
1971	3126	109.1	19.9	3.2	1.06
1981	4029	159.5	23.3	3.8	1.72
1991	4689	217.6	25.7	3.1	1.02
2001	5161	284.5	27.8	2.7	0.82

Note: X_1 : Number of towns; X_2 : Urban Population (in millions); X_3 : Percentage of Urban population; X_4 : Annual exponential growth rate; X_5 : Rate of urbanization.

Source: Census of India

In brief, it is about two and a half times increase in the proportion of urban population in India in last 100 years. India now holds a very unique urban scenario, where the country having swelling urban population but without much urbanization. According to Gupta (1996), 10 out of the 27 countries of East and South East Asia had a level of urbanization below that of India in the decade 1990. Interestingly, there was only 1% annual exponential growth rate of urban population and the rate of urbanization in the Indian economy up to 1921. However, there was a continuous acceleration in the growth rate of country's urban population from 1.7% per annum during 1921-31 to 3.5% per annum during 1941-51 (Table 2). The growth rate of urban population was again declined to 2.3% during the decade 1951-61. This was primarily due to declassification of towns as per the definitional changes. However, in the next two decades (1961-71 and 1971-81), there was again steady acceleration in the growth rate of urban population and reached a peak of 3.8%.

Interestingly, never before, India has registered a declaration either in the growth rate of its urban population or rate of urbanization for two consecutive decades. The growth rate of urban population was, however, decelerated during the decade 1981-91 (3.1%) and 1991-01 (2.7%). In brief, there were two unique features in the process of Indian urbanization during the post independence period. First, the degree of urbanization was fastest during the period 1971-81. Second, there was absolute increase in the size of urban population during the last 100 years. Besides, the growth rate of urban population and the rate of urbanization were far below than that of country's expectation in 1991.

The average annual growth rate of urban population during the period 1981-91 was remained stable. However, the rate of urbanization was declined from 1.72% to 1.02% per annum during the same period. This slowing down of the pace of urbanization became a matter of hot debate among the researchers and policy makers in the economy. According to Mohan (1996), this was probably not due to under enumeration of urban population but due to the wholesale administrative notification of towns in some states. Besides, there were also other probably reasons for the slow down of urban population growth rate in the Indian economy. These were: identification of relatively fewer new towns, decline in the volume of rural migration to urban centres and increasing the concentration of population in the rural areas adjacent to large urban centers (Gupta, 1996; Premi, 1991). It was believed that the slow down of urbanization was only temporary phenomenon and commented that it was a mistaken to presume that urbanization would continue to be slow during 1990s and beyond (Visaria, 1997; Mohan, 1996).

It was expected that an extensive reclassification of localities or large villages as towns would become necessary during the 1990s. But, as per the provisional statistics of Census, 2001, the trend of this slowing down of urbanization was continued even during 1991-2001. Interestingly, the rate of rural population growth for the country, as a whole, remained stable during all the three decades since 1971 and also there was a steady decline in the rural-urban growth differentials during the three decades (Table 3). Earlier, Government of India (1992) projected that India must have 30.5% of urbanization. But, the latest picture, as per the census 2001, reflected that there was shortfall of 2.5%, as against the projected figure.

A. State-wise Trends of Urbanization and Urban Growth

It is substantial true that the urban scene of India could not be understood properly without understanding the spatial dimension of urbanization and the urban growth. As a result, in the present section, we have presented the state-wise picture in the Indian economy. The rate of urbanization is considerably higher in the states like Tamil Nadu, Maharashtra, Gujarat and Karnataka. On the contrary,

the rate of urbanization is at the lower level in the states like Assam, Bihar, Himachal Pradesh, Orissa and Uttar Pradesh. In overall, Himachal Pradesh is the least urbanized state in India during all the three decades. In the region-wise comparison, western and southern parts are relatively more urbanized than northern, central and eastern parts. By specific, all the four southern states (Andhra Pradesh, Tamil Nadu, Karnataka and Kerala) and two western states (Maharashtra and Gujarat) generally had the higher level of urbanization than that of national average (Table 4). In addition, Punjab in northern region and West Bengal in eastern region have also the distinct position.

Table 3
Average Annual Growth Rate of Urban and Rural Population and
Urban Rural Growth Differentials in the Major States of India

<i>Country</i>	<i>Rural</i>			<i>Urban</i>			<i>URGD</i>		
	<i>1971-1981</i>	<i>1981-1991</i>	<i>1991-2001</i>	<i>1971-1981</i>	<i>1981-1991</i>	<i>1991-2001</i>	<i>1971-1981</i>	<i>1981-1991</i>	<i>1991-2001</i>
Andhra Pradesh	1.57	1.84	1.36	3.96	4.32	1.46	2.39	2.48	0.10
Assam	2.00	2.26	1.67	3.27	3.96	3.62	1.27	1.70	1.95
Bihar	1.88	2.26	2.13	4.37	3.02	2.55	2.49	0.76	0.42
Gujarat	2.01	1.52	1.71	3.47	3.44	3.27	1.46	1.92	1.56
Haryana	2.20	2.29	2.06	4.67	4.34	5.08	2.67	2.05	3.02
Himachal Pradesh	2.06	1.94	1.61	2.98	3.78	3.24	0.92	1.84	1.63
Jammu & Kashmir	—	2.44	—	—	4.59	3.62	—	2.15	0.75
Karnataka	1.75	1.77	1.21	4.10	2.96	2.89	2.35	1.19	1.68
Kerala	1.46	0.36	1.01	3.19	6.10	0.76	1.73	5.74	-0.25
Madhya Pradesh	1.76	2.24	1.82	4.45	4.39	2.79	2.69	2.15	0.97
Maharashtra	1.62	1.87	1.52	3.36	3.89	3.13	1.74	2.02	1.61
Orissa	1.46	1.79	1.38	5.22	3.62	2.98	3.76	1.83	1.60
Punjab	1.61	1.77	1.23	3.68	2.90	3.76	2.07	1.13	2.53
Rajasthan	2.43	2.55	2.75	4.62	3.96	3.12	2.19	1.41	0.37
Tamil Nadu	1.22	1.33	-0.52	2.47	1.96	4.28	1.25	0.63	4.80
Uttar Pradesh	1.80	2.26	2.13	4.74	3.87	2.82	2.94	1.61	0.69
West Bengal	1.85	2.30	1.69	2.76	2.95	2.02	0.91	0.65	0.33
India	1.78	1.80	1.70	3.83	3.09	2.70	2.05	1.29	1.00

Note: URGD: Urban Rural Growth Differentials.

Source: Census of India.

It is believed that the state-wise differential in the level of urbanization is more or less associated with the spatial diversity in industrial and agricultural development (NIUA, 1988). In India, it is observed that there is a consistent state-wise differential in the rate of urbanization during the last three decades. During 1971-81, Orissa registered the highest rate of urbanization (4% per annum) and is followed by Uttar Pradesh, Bihar, Madhya Pradesh, Haryana and Andhra Pradesh (all were between 2-3% per annum). On the contrary, urbanized states had the low rate of urbanization during this decade. All in all, the rate of urbanization during

this decade was relatively higher in less urbanized states in comparison to more urbanized states. However, in the decade 1981-1991, the rate of urbanization was declined substantially in most of the states except Himachal Pradesh and Kerala.

Interestingly, during the decade 1991-2001, Tamil Nadu had the highest rate of urbanization was about 2.8% per annum. This was followed by Uttar Pradesh (1.98%), Haryana (1.77%), Punjab (1.49), Assam (1.46), Himachal Pradesh (1.27%) and Orissa (1.19) [all are above than 1% per annum]. On the contrary, Kerala recorded a negative rate of urbanization was about 0.16% per annum during this decade and was followed by Andhra Pradesh (0.07%), Bihar (0.17), West Bengal (0.20) and Rajasthan (0.22) [all are extremely below than that of national average]. During this decade, there are two unique features in the aspects of state-wise urbanization in the Indian economy. First, most of the states have declined rates of urbanization in contrast to previous decades. Second, an exceptionally high growth rate of urban population in Tamil Nadu, as a result of administrative declaration of a large number of rural settlements as urban in 2001 (See Table 4).

Table 4
State-wise Trends of Urbanization in India

Country	Percentage of Urban Population				Rate of Urbanization		
	1971	1981	1991	2001	X_1	X_2	X_3
Andhra Pradesh	19.31	23.32	26.89	27.08	2.08	1.53	0.07
Assam	8.82	9.88	11.1	12.72	1.20	1.23	1.46
Bihar	10.0	12.47	13.14	13.36	2.47	0.54	0.17
Gujarat	28.08	31.10	34.49	37.35	1.08	1.09	0.83
Haryana	17.66	21.88	24.63	29.00	2.39	1.26	1.77
Himachal Pradesh	6.99	7.61	8.69	9.79	0.89	1.42	1.27
Jammu & Kashmir	18.59	21.05	23.83	24.88	1.32	1.32	0.44
Karnataka	24.31	28.89	30.92	33.98	1.88	0.70	0.99
Kerala	16.24	18.74	26.39	25.97	1.54	4.08	-0.16
Madhya Pradesh	16.30	20.30	23.21	24.92	2.45	1.43	0.74
Maharashtra	31.17	35.03	38.69	42.40	1.24	1.04	0.96
Orissa	8.41	11.79	13.38	14.97	4.02	1.35	1.19
Punjab	23.73	27.68	29.55	33.95	1.66	0.68	1.49
Rajasthan	17.63	21.05	22.88	23.38	1.94	0.87	0.22
Tamil Nadu	30.26	32.95	34.15	43.86	0.89	0.36	2.84
Uttar Pradesh	14.02	17.95	19.84	21.02	2.80	1.05	1.98
West Bengal	24.75	26.47	27.48	28.03	0.69	0.38	0.20
India	19.91	23.34	25.71	27.78	1.72	1.02	0.81

Note: X_1 : 1971 to 1981; X_2 : 1981-1991; and X_3 : 1991-2001.

Source: Census of India

It is, in fact, true that rate of urbanization does not reflect anything about the level of urban or rural population growth rate. As a result, it is essential to draw the picture of average annual growth rate of urban and rural population along with urban-rural growth differentials. During the decade 1999-2001, growth rate

of urban population varies from about 4.8% in Tamil Nadu to a low of about 0.8% per annum in Kerala (See Table 3). Besides, the growth rate was substantially declined during the last two decades in most of the states. In the states like Andhra Pradesh, West Bengal and Bihar, the rate of growth was below than that of national average. The only states that have been experienced acceleration in their urban growth rates during this period are Tamil Nadu, Punjab and Haryana. In general, economically developed states have registered lower urban growth rates compared to economically backward states along with low and moderate levels of urbanization.

Unfortunately, out of the seven states that registered growth rate of urban population above the national average (3.8% per annum) in the decade 1971-81, five (Orissa, Uttar Pradesh, Bihar, Madhya Pradesh and Rajasthan) were economically backward states and only two (Haryana and Karnataka) were economically developed states. The similar pattern was continued even during the decade 1981-91 and 1991-2001. It was observed that number of states that had registered higher growth rates of urban population had also registered higher growth rate of rural population. Earlier, some of the states like Rajasthan, Himachal Pradesh, Bihar, Gujarat, Assam, Haryana, West Bengal and Uttar Pradesh had registered higher annual growth rate of rural population and also above then national average during the decade 1971-81. Besides, some of the states like Bihar, Himachal Pradesh, Rajasthan and Uttar Pradesh had also registered accelerating rural population growth rate during this period.

During the decade 1981-91, the states like Assam, Bihar, Madhya Pradesh, Uttar Pradesh and West Bengal not only registered high growth rate of rural population (also above the national average) but also experienced accelerating in nature. The acceleration of rural population continued even during 1991-2001 in Bihar, Rajasthan and Uttar Pradesh. In addition, the growth rate of rural population also accelerated in Gujarat, Jammu & Kashmir and Kerala during the decade 1991-2001. In brief, many of economically backward states that had experienced relatively higher growth rate of urban population also had higher growth rate of rural population. One of the most important reasons for their higher growth rate of population in rural areas as well as urban areas was their continuing higher natural increase rates in both rural as well as urban areas.

The differentials of growth rate between rural and urban population across the states also did not reflect any consistent pattern over the last three decades and were similar to that of urbanization. In the country, as a whole, there was a steady decline in the rural-urban growth differentials from 2% during 1971-81 to 1% during 1991-2001. Interestingly, in all the less developed states, there had been a continuous decline in the difference between rural and urban population growth rates. It is considerably true that in the less developed states, the high

growth rate of population (in both rural and urban areas) is mainly because of their higher natural increase rates. Besides, urban areas in these states did not offer much opportunity to attract more labour from their rural areas. In the economically advanced states, the trend was declining in nature during 1981-91 and then increased in the gap between rural and urban growth rates and vice versa. Assam was the only state that had experienced a steady increase in the gap between rural and urban population growth rates.

It is believed that the growth of urbanization has a substantial positive impact on the growth of rural non-farm employment in the economy. This is either through the growth of non-farm activities in the rural areas or through inter-sectoral (both farm and non-farm) linkages. However, whatever may be the case, there is overall rural development in the economy, especially in the matters of rural poverty alleviation and the growth of rural non-farm employment. Accordingly, in the subsequent section, we try to integrate the growing trends of rural poverty and rural non-farm employment in the rural economy with the increasing level of urbanization.

Rural Poverty and Its Importance in the Indian Economy

The term 'poverty' is generally defined as a condition, where earnings are insufficient to meet the minimum requirements of a healthy and productive life. In other words, it is defined as inadequacy of income to meet a minimum level of consumption, which has stricken a sizable part of the country's population. It is, usually, characterized as "the money-metric approach", which distinguishing the poor from the non-poor with reference to a poverty line and is normally defined by the critical level of money income or expenditure (Bhattacharya, 2002). This is largely concerned with economic aspects of poverty. However, it can also be influenced by large number of social factors viz., security of livelihood, disconnection from family and community, overcrowding, sanitation and health and is treated as social aspects of poverty.

World bank addresses poverty as a denial of human rights. As per WDR (2000), good health, adequate nutrition, literacy and employment are not in favours or acts of charity, which imparted upon the poor by the governments and international agencies. As a result, poverty needs to be explained from a perspective of sustainable human development. This includes the ability to lead a long, creative and healthy life, to acquire knowledge, to have freedom, dignity, self respect and respect for others and to have access to the resources needed for a decent standard of living. Poverty, as commonly understood, is concerned with absolute standard of living of a part of society- 'the poor'. It is the inability to attain a minimum standard of living, which is identified by a country in its specified poverty line, which certainly distinguishes the 'poor' from the 'non-poor'.

In India, rural poverty has gone so cryptic into the marrow of our bones that the nation has dutifully acquired the knack of living with it. In present, it is a more challenging tasks to all responsible persons- administrators, ecologists, politicians, planners, social workers and alike. Once the poor is distinguished from the non-poor, the simplest method to estimate poverty is to express the number of poor as a percentage to total population. In India, the share of the population living below the poverty line was about 56.44% in 1973-74 and had declined to 53.07% in 1977-78. This was further declined to 45.65% in 1983-84 and 39.09% in 1987-88 (GOI, 1997). The decline of rural poverty in the early 1990s was not at al remarkable in the Indian economy. However, the decline was noteworthy towards the end of the century (Sundaram and Tendulkar, 2003). In short, the rate of rural poverty was slightly declined to 37.10% in 1993-94 corresponding to its previous period 1987-88 but declined to 26.8% in between 1993-94 to 1999-2000 (See Table 5).

Table 5
Rural Non-farm Employment and Rural Poverty: Across the Indian States

<i>State</i>	<i>Year</i>	<i>Rural non-farm Employment (in %)</i>	<i>Rural Poverty (in Percentage)</i>
Andhra Pradesh	1983	19.9	26.53
	1993-94	20.7	50.61
	1999-00	21.2	11.05
Assam	1983	20.0	42.60
	1993-94	21.3	45.01
	1999-00	32.3	40.04
Bihar	1983	16.5	64.37
	1993-94	15.8	58.21
	1999-00	19.3	44.30
Gujarat	1983	15.6	29.80
	1993-94	21.3	22.18
	1999-00	19.6	13.17
Haryana	1983	22.3	20.56
	1993-94	28.1	28.02
	1999-00	30.2	08.27
Himachal Pradesh	1983	12.4	17.00
	1993-94	19.8	30.34
	1999-00	25.2	07.94
Jammu & Kashmir	1983	19.8	26.04
	1993-94	24.5	30.34
	1999-00	27.0	03.97
Karnataka	1983	15.8	36.33
	1993-94	18.1	29.88
	1999-00	17.8	17.38
Kerala	1983	36.9	39.03
	1993-94	43.9	25.76
	1999-00	51.2	09.38

Contd....

<i>State</i>	<i>Year</i>	<i>Rural non-farm Employment (in %)</i>	<i>Rural Poverty (in Percentage)</i>
Madhya Pradesh	1983	10.0	48.90
	1993-94	10.1	40.64
	1999-00	12.8	37.06
Maharashtra	1983	14.4	45.23
	1993-94	17.4	37.93
	1999-00	17.2	23.72
Orissa	1983	20.9	67.53
	1993-94	19.0	49.72
	1999-00	21.4	48.01
Punjab	1983	17.5	13.20
	1993-94	25.4	11.95
	1999-00	27.1	06.35
Rajasthan	1983	13.3	33.50
	1993-94	20.2	26.46
	1999-00	22.1	13.74
Tamil Nadu	1983	25.4	53.99
	1993-94	29.6	32.48
	1999-00	31.7	20.55
Uttar Pradesh	1983	18.0	46.45
	1993-94	20.0	42.28
	1999-00	23.6	31.22
West Bengal	1983	26.4	63.05
	1993-94	36.4	40.80
	1999-00	37.0	31.85
India	1983	17.5	44.48
	1993-94	25.5	37.10
	1999-2000	27.5	26.80

Source: GOI, Economic Survey (1990), Sarvekshana, Vol. 19, Nos 1 & 2; GOI, NSSO.

It is substantial true that though there has been significant decline in the percentage of population below the poverty line in the Indian economy (both rural and urban areas) as well as across its states, but even now in some of the major states (Orissa, Bihar and Madhya Pradesh) more than one third (37-48%) of the rural population still lives below the poverty line (NHDR, 2001; also see in Table 5). It is believed that an increasing level of urbanization could be the contributing factor for the improvement of rural areas of many of the economically poorer states. It is also true that the benefits of higher industrial and overall economic growth have not been widespread in the Indian economy. As a result, rural poor have not got the opportunities to recover themselves and remained stay below the poverty line (Mohan, 1996).

All these above problems along with lack of productive jobs would have discouraged the potential rural migrants, who are searching for the better livelihoods in cities. This argument can be supported by the fact that the growth of value added in industry and in the tertiary sector was in the range of 6% to 8% per

annum, whereas that of agriculture was in the range of 2.5% to 3% per annum. This reflects that in spite of much lower productivity in the agricultural sector, a large number of rural labourforce still remained tied up in rural areas (Mohan, 1996). Moreover, the slow down of urbanization becomes a matter of serious concern and requires attention from national policy makers and planners. This also provides city planners and administrators an opportunity to take corrective actions in order to make cities more conducive for economic and social development and improve upon the quality of urban life with respect to physical and social environment.

Keeping the fact in mind that a large number of rural people migrate to cities for searching employment, the first and foremost task is to reorient the industrial sector. This will definitely generate more jobs and could absorb larger rural labourforce without compromising its productivity. To achieve the same, it is urgently necessary to think some innovative and affordable solutions and that should be implemented in the rural areas at the earliest. This is, in fact, very essential in the poorly developed states without incurring huge investments. Rural labour is also to be made more responsive to industry needs by providing necessary skills and technical competency by opening a variety of vocational centers in rural areas for illiterate and less educated labour. The case for improving urban infrastructure is strong and long overdue. However, the programmes regarding urban infrastructure can only be supportive of this larger endeavour of generating more employment opportunities and making a cities as an engines of growth. This should not be seen as a counter argument to the need and importance of developing the rural areas but it is an attempt to bring into focus the positive role to be played by urbanization in the overall national development.

The probably reason for the same is due to the impact of economic reforms in the early 1990s, which is more or less urban-based and have bypassed the rural sector, where the majority of poor are concentrated, leading to a divergent growth between rural and urban India. It is believed that economics reforms in the early 1990s have neglected rural investment and the food security, resulting in a slow agricultural growth, reduced employment opportunities in the rural areas and high food prices for rural poor particularly for cereals. All these are likely to be associated with increasing poverty in rural India especially during early 1990s. This actually reflects that there is a great need to look beyond the growth of rural economy with respect to income, employment and other relevant socio-economic indicators. Besides, structural and institutional factors such as distribution of land holdings, productivity of land, quality of labour force and the opportunities outside the agricultural sector, etc. are more intrinsically responsible for the archaic structure of our rural economy (Bhattacharya, 2002).

It is true that agricultural labourers still constitute a historically deprived social group in the country- they are poorest of the poor. This substantially affects

their malevolent consequences on productivity. The labour productivity in Indian agriculture is only about one third of that outside it and the wages/earnings are also lower, when compared to those prevalent in the other sectors. Poverty among agricultural labourers in India should therefore, be assessed in the context of the country's prolonged rural backwardness, lack of assets and landlessness, in equitable pattern of land holdings, unemployment, low wages, social deprivation and other related parameters. Thus, rural poverty in our country is more due to human failure rather than natural factors.

A large proportion of rural poor still depends upon directly or indirectly on farm sector for their income. An increase in agricultural productivity and consequently, in the returns to the farm labour ought to be effective in reducing the rural poverty in India. However, the improvement of farm sector is more or less depends upon the growth of rural non-farm sector (Collier and Lal, 1986; Evans and Ngau, 1991) in the economy. Moreover, the growth of rural non-farm sector is substantially associated with the degree of urbanization in the economy. This is simply because urbanization helps in minimizing the rural-urban disparity through the increasing level of non-farm activities in the rural area. It is considerably true that as the degree of urbanization increase in the economy, the level of rural poverty is get reduced by the additional increase in employment and income through the activities associated with rural non-farm sector. In the subsequent section, we highlight the importance of rural non-farm sector in the Indian economy and its trend over different time periods.

Rural Non-farm Sector and Its Importance in the Indian Economy

The term 'non-farm sector' simply represents all economic activities in the rural areas except agriculture, livestock, fishing and hunting. In other words, it encompasses full spectrum of economic activities, which occur in rural areas but which are not directly associated with agriculture and can represent a very important part in the rural economy. Since it is defined negatively, as against agriculture, it is not in any sense a homogenous sector. The judgments about the viability and importance of the rural non-farm sector hinges crucially on what is exactly meant by 'rural' (Lanjouw and Lanjouw, 2001). In general, rural is most often defined as a settlement of about 5000 inhabitants or a fewer. In other words, rural locality is based on population size and/or functions and characteristics of the settlement such as whether, it has a school or hospital or happens to be the seat of local government do very (Lanjouw and Feder, 2001). It is also substantially true that as more and more of the population becomes employed in non-agricultural activities, a community may become treated as urban, even if, it has not changed in any other aspect (Haggblade et al. 1989; Acharya and Mitra, 2000).

Usually, rural economy is nothing but the combination of both farm economy and non-farm economy and both are at the cost of each other (Harriss, 1987).

Accordingly, rural development is consistent with the development of both farm economy and non-farm economy and both are, in fact, depends upon each other. The lack of one is resulted the cost of other and finally, there is overall degradation of rural development. The advocates of agriculture-led growth theories also visualize the importance of rural non-farm sector in stimulating agricultural growth through inter-sectoral linkages. Modern agriculture is based on strong forward and backward linkages with industry and other non-agricultural sectors, some of which may partly be available in rural areas themselves (Mellor, 1976). Similarly, the converse is also equally true, i.e., the prospects of non-farm growth also critically hinges on the performance of agriculture (Hazell and Haggblade, 1990).

Usually, farm activity represents agricultural activity and non-farm activity represents non-agricultural activity. However, between the two, rural non-farm activities include a wide range of economic activities in contrast to farm activities. They include both off-farm and on-farm activities. Off-farm includes straightforward agricultural activities, viz., income earned by peasants and workers as hired labour on farms owned by others. A recent study in Vietnam found that the lowest level of poverty in rural areas is among households, whose income stems solely from off-farm self employment (Lanjouw, 2001; Van de Walle, 2000; Lanjouw, 1999). On-farm work, on the contrary, includes non-agricultural components. These include rural industrial sector or rural enterprises along with various services like household based petty production activities and non-agricultural labour, those involved in rural public works programme and the creation of public infrastructure (Lanjouw, and Lanjouw, 2001; Chadha, 2002).

Usually, between farm sector and non-farm sector, the later plays a very catalytic role towards rural development. This is because farm sector fails to improve the rural economy in an indefinite basis. The role played by rural non-farm sectors towards rural development are as follows:

- Rural non-farm activities certainly utilize the local talent and the local slack resources, which cannot be easily transferred and utilized in the urban industrial centres.
- A proper planned strategy of rural non-farm sector certainly prevents the rural migration to urban industrial and commercial centers.
- The rural-urban economic gaps and many other aspects associated with the lives and aspirations of people are bound to get narrower, when there is substantial expansion of rural non-farm activities in the economy.
- Rural industries are generally less capital intensive and more labour absorbing in nature. The social objectives of deriving higher employment and output gains for every unit of capital invested are readily fulfilled through a chain of rural industrial activities.

- Rural industrialization has a significant role in agricultural development. Industry-agriculture linkages have assumed to be increasing significance in the economy, as agriculture climbs up on the higher growth trajectory through modernization of its production (Collier and Lal, 1986; Evans and Ngau, 1991).
- Rural income distribution is substantially less unequal in areas, where a wide network of non-farm employment exists in the rural economy.
- There is a substantial solution to rural poverty through a wide network of non-farm activities. This is because people having no land base of their own, per worker productivity and earning are higher in non-farm employment than in farm employment (Reardon, 1997).
- A gender-related aspect that usually does not get due recognition is a sizeable involvement of female rural workers in some of the non-farm sectors (Rosegrant and Hazell, 2000).
- In some cases, one sees that the poorer/landless getting a higher percentage of their income from non-farm occupations, suggesting an equalizing influence and poverty-alleviating role (Bagachwa and Stewart, 1992; Adams, 1999).
- Non-farm activities are usually labour- and local- resource intensive in nature, which would be in line with the perceived comparative advantage of most developing economies (Saith, 1992).

In India, rural economy needs to be reiterated on three grounds. First, non-farm employment seems to be major source of income for the rural households. India could fully explore the rural economy through sizable urbanization in the form of upgrading technological, institutional organizational base. However, non-farm activities are especially needed in the regions where agriculture is still a drag and rural poverty is of a very high order. Second, employment problem has continued to be Archilles' heel in the Indian economy. As a result, rural non-farm expansion through urbanization could be a logical way out of the employment impasse. Third, institutional reforms in the form of land re-distribution are still kept alive in the political propaganda of the Indian government. As an alternative, rural non-farm development may benefit all sections of the rural community and in terms of sheer expediency and may be acceptable to all at a time. In most of the cases, a substantial percentage of the landless and marginal farming households pursue non-farm activities, as compared with higher categories of rural households. This helps in mollifying the highly inequitable distribution of incomes arising out of farming and its related activities (Rosegrant and Hazell, 2000).

In short, urbanization is usually associated with the transformation of rural economy to urban one. In this scenario, rural non-farm sector plays a key role. Since non-farm activities in the rural areas are heterogeneous in nature and as against the agricultural activities, it definitely helps in making the economy more

urbanized. On the contrary, as the economy move towards urbanization, the disparity between rural and urban is going to be narrower. As a result, there is overall balance regional development in the economy. It is considerably true that urbanization is always associated with generation of employment opportunities in the rural economy. In order to make it clear, it is essential to see the trends of rural non-farm employment in contrast to the level of urbanization.

Table 6
Sectoral Distribution of Usual Status Rural Workers in
Indian States by Workers' Sex

<i>Sector</i>	<i>Description</i>	<i>Male</i>				<i>Female</i>			
		1983	1987-88	1993-94	1999-00	1983	1987-88	1993-94	1999-00
Agriculture	Rural	77.5	74.5	74.1	71.4	87.5	84.7	86.2	85.3
	Urban	10.6	9.1	9.0	6.5	31.5	29.4	24.7	17.6
Mining and Quarrying	Rural	0.6	0.7	0.7	0.6	0.3	0.4	0.4	0.3
	Urban	1.2	1.3	1.3	0.9	0.7	0.8	0.6	0.4
Manufacturing	Rural	7.0	7.4	7.0	7.3	6.4	6.9	7.0	7.6
	Urban	26.8	25.7	23.5	22.4	26.7	27.1	24.1	24.0
Utilities	Rural	0.2	0.3	0.3	0.2	NA	NA	NA	NA
	Urban	1.1	1.2	1.2	0.8	0.2	0.2	0.3	0.2
Construction	Rural	2.2	3.7	3.2	4.5	0.7	2.7	0.9	1.1
	Urban	5.1	5.8	6.9	8.7	3.2	3.7	4.1	1.1
Secondary Sector	Rural	10.0	12.1	11.2	12.6	8.7	10.0	8.4	9.0
	Urban	34.2	34.0	32.9	32.8	30.8	31.8	29.1	29.4
Trade and Hotels	Rural	4.4	5.1	5.5	6.8	1.9	2.1	2.1	2.0
	Urban	20.4	21.5	21.9	29.4	9.5	9.8	10.0	16.9
Transport and Communication Services	Rural	1.7	2.0	2.2	3.2	0.1	0.1	0.1	0.1
	Urban	10.0	9.7	9.7	10.4	0.6	1.2	1.3	1.8
Tertiary Sector	Rural	6.1	6.2	7.0	6.2	2.8	3.0	3.4	3.6
	Urban	24.7	25.2	26.4	19.0	26.7	27.8	35.0	34.2
All Non-agricultural	Rural	12.5	13.4	14.7	16.2	4.8	5.3	5.6	5.7
	Urban	55.2	56.9	58.0	58.8	37.7	38.8	46.3	52.9
	Rural	22.5	25.5	25.9	28.6	13.5	15.3	13.8	13.7
	Urban	89.4	90.9	91.0	93.5	68.5	70.6	75.3	82.4

Source:

- GOI, Economic Survey (1990), Sarvekshana, Special Number, September, P. 99.
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In India, there exists substantial diversification in rural-urban employment in terms of both sector-wise and gender-wise. The proportion of rural male workers engaged in the primary sector has been steadily declining from 77.5% in 1983 to

74.6% in 1987-88 and 71.4% in 1999-00. On the contrary, their proportion in the secondary, tertiary and total non-farm sectors has witnessed a steady increase over the years. In short, their excessive dependence on agriculture, as a source of livelihood, has steadily been melting down and their employment base has clearly witnessed a modest degree of diversification. In other words, the base of non-farm employment has expanded from a low of 22.5% in 1983 to 28.6% in 1999-00 (Table 6). In the state-wise comparison, there is steady decline of rural workforce in the agricultural sector in the states like Assam, Bihar, Himachal Pradesh, Kerala and Andhra Pradesh. The decline is also occur in Haryana, Jammu and Kashmir, Madhya Pradesh, Orissa, Punjab, Rajasthan, Tamil Nadu and West Bengal. But the decline was not so significant in these states. However, in the states like Gujarat, Karnataka and Maharashtra, the proportion is in declining tend during the pre-reforms period and continuing to increase in the post-reforms period.

Above all, there is structural transformation of the rural workforce, which is steadily titling in favour of non-agriculture jobs during the decade preceding economic reforms; both for male and female workers. In most of the cases, either it got reversed in some states or witnessed a halting pace in others. It is only in a few states, the noticeable shift from agriculture has continued even after the reforms arrived (See Table 5). In these states, a large proportion female worker are engaged in a variety of rural handicrafts and typically based on local craftsmanship. However, their productivity and earning levels are relatively very poor. As a result, the quality of employment here leaves much to be desired raises a different set of issues (Chadha, 2002).

From the above discussion, it is clear that there is substantial diversification in the rural non-farm sectors in the Indian economy and their contribution towards income and employment. It is also true that an increasing the level of income and employment in the rural areas has a direct impact on the reduction of rural poverty in the economy. This is, in fact, a continuous process so far as the rural development is concerned. Moreover, in order to maintain the trends and its subsequent improvement, it is essential to put stress on urbanization. This is because urbanization is nothing but the transformation of agricultural to industrialized based economy (Davis, 1972), where non-farm activities play a major role. In the subsequent section, we statistically integrate the process of urbanization with rural non-farm employment and rural poverty in the Indian economy.

Analytical Framework

The basic objective of this paper here is to establish the linkage between rural non-farm employment and rural poverty with the degree of urbanization in the Indian economy. The study specifically presumes that changes in the degree of urbanization of a region have a positive impact on the growth of rural non-farm

employment and thus, the reduction of poverty in the rural level. In order to demonstrate the same, we have used the household survey data (of about 120000 households) of two different time periods (1983 and 1999-2000), as collected by National Sample Survey Organization (NSSO). However, as per the demographic structure, NSSO has divided the entire country into 71 NSS regions and therefore, we subsequently use the region-wise data for studying the effect of urbanization on rural non-farm employment and rural poverty in the Indian economy.

It has been argued that the proximity of urban areas affects non-farm employment in the adjoining rural areas in two different ways. First, the urban region may generate a demand for goods produced in the adjacent rural area termed as backward linkage. Second, this may be done by inducing the demand for the services available in the urban sector from rural households. Besides, urbanization helps in reducing the rural poverty through the substantial contribution of rural non-farm sector in income and employment. Accordingly, we have also established here the linkage between rural poverty and rural non-farm employment in the Indian economy. The regression model used for the same is as follows:

$$\text{RPOV} = a_0 + a_1 \text{URBAN} + u \quad (1)$$

$$\text{RNFE} = b_0 + b_1 \text{URBAN} + u \quad (2)$$

$$\text{RPOV} = c_0 + c_1 \text{RNFE} + u \quad (3)$$

Where, RPOV = Percentage of rural poverty;

RNFE = Percentage of rural non-farm employment;

URBAN = Percentage of urbanization;

a_0 , b_0 and c_0 are intercepts;

a_1 = Impact of URBAN on RPOV;

b_1 = Impact of URBAN on RNFE;

c_1 = Impact of RNFE on RPOV; and

U = Error term.

The study hypothetically presumes that urbanization has a substantial significant impact on rural non-farm employment and rural poverty in the Indian economy. Accordingly, it is assumed that a_1 and c_1 must be negative, while b_1 must be positive in nature. Further, to bring the reliability of results and its statistical significance level, we have used here the Coefficient of Determination (R^2), t-statistics and F-statistics.

Estimated Results and Its description

The estimated results of the above regression model for the two different time periods are reported in Tables 7 & 8. As per the priori expectation, urbanization

has negatively influenced the rural poverty and positively regulated the rural non-farm employment in the Indian economy. This is true for both the time periods under the present study. The estimated relationship contemplates that a one percent increase in urbanization will lead to decrease the percentage of rural poverty by 0.396 units in 1983 and 0.479 units in 1999-2000. The value of t-statistics signifies that urbanization has statistically significant impact on rural poverty at 1% probability level in both the periods under study. The Value of R^2 reflect that about 12% of the systematic variations in rural poverty is explained by the percentage of urbanization in 1983 and for the decade 1999-2000, the variation has substantially improved to 18% (See Table 8). The value of F-statistics considerably reflects that the degree of association between urbanization and rural poverty is statistically significant at 1% probability level. Besides, the relation between these two are also substantial improved over the years, as the value of R^2 has been increased from a low of 12% in 1983 to 18% in 1999-2000.

Table 7
Estimated Regression Results for 1983

<i>Dependent Variables</i>	<i>Independent Variables</i>	<i>Estimated Coefficients</i>	<i>Standard Error</i>	<i>t-Statistics</i>	<i>Significance Level</i>
RPOV	Constant	51.09	3.814	13.396	—
	URBAN	-0.396	0.129	-3.073	P < 0.01
	R ²	0.120			
	F	9.445			P < 0.01
RNFE	Constant	16.33	2.68	6.093	—
	URBAN	0.346	0.09	3.826	P < 0.00
	R ²	0.175			
	F	14.641			P < 0.00
RPOV	Constant	52.769	4.408	11.972	—
	RPOV	-0.464	0.156	-2.968	P < 0.01
	R ²	0.113			
	F	8.809			P < 0.01

Note: RNFE: Percentage of rural Non-farm Employment; URBAN: Percentage of urbanization; RPOV: Percentage of rural poverty; R²: Coefficient of Determination; F: F-statistics; and P: Probability level of Significance.

Source: Calculated by authors.

Further, the relationship between urbanization and rural non-farm employment is also impressive and also confirms our priori expectation. Here, the impact of urbanization on rural non-farm employment is not only positive but also statistically significant at 1% probability level in both the periods. This reflects that as the degree of urbanization increase the level of rural non-farm employment is also increased. The estimated coefficient reflects that a unit increment in urbanization caused the rural non-farm employment to realize by 0.346 units in 1983 and 0.508 units in 1999-2000. The Value of R^2 constitutes that about 18% and 26% of the

systematic variations in rural non-farm employment is explained by the degree of urbanization during the period 1983 and 1999-2000 respectively. Interestingly, the percentage of variation are not only statistically significant in both the periods but also has improved over the years from a low of 18% in 1983 to a high of 26% in 1999-2000 (See Tables 7 & 8). This reflects that the growth of urbanization has a substantial significant impact on the growth of rural non-farm employment in the Indian economy.

Table 8
Estimated Regression Results for 1999-2000

<i>Dependent Variables</i>	<i>Independent Variables</i>	<i>Estimated Coefficients</i>	<i>Standard Error</i>	<i>t-Statistics</i>	<i>Significance Level</i>
RPOV	Constant	41.334	3.793	10.896	—
	URBAN	-0.479	0.125	-3.845	P < 0.01
	R ²	0.176			
	F	14.786			P < 0.01
RNFE	Constant	24.801	3.141	7.897	—
	URBAN	0.508	0.103	4.921	P < 0.00
	R ²	0.260			
	F	24.219			P < 0.00
RPOV	Constant	44.133	5.307	8.316	—
	RNFE	-0.403	0.129	-3.119	P < 0.01
	R ²	0.124			
	F	9.731			P < 0.01

Note: All notations are defined earlier.

Source: Calculated by authors.

From the above discussion, it is clear that urbanization has a significant favorable impact on both rural non-farm employment and rural poverty in the Indian economy during these two periods under the present study. But the impact is more favoured in rural non-farm employment in contrast to rural poverty. The probably reason for the same is that urbanization has direct impact on the growth of rural non-farm sector and its contribution to employment generation in the rural economy. On the contrary, the substantial improvement in rural non-farm employment has an encouraging impact on poverty alleviation in the rural area. Accordingly, we have also studied the impact of rural non-farm employment on rural poverty in the Indian economy during the two periods under the study.

The estimated results reflect that rural non-farm employment and rural poverty are negatively associated with each other in both the periods. This considerably confirms our prioritize expectation. The estimated coefficient reflects that a unit increment in the percentage of rural non-farm employment caused the alleviation of rural poverty to decrease by 0.464 units in 1983 and 0.403 units in 1999-2000. The value of t-statistics signifies that rural non-farm employment has statistically

significant impact on rural poverty at 1% probability level in both 1983 and 1999-2000. The R^2 value reflects that the percentage of systematic variations in rural poverty is explained by rural non-farm employment is about 11% and 12% respectively for the period 1983 and 1999-2000. The F-statistics suggests that the degree of association between these two is also statistically significant at 1% probability level. Moreover, the increasing value of R^2 in between 1983 to 1999-2000 reflects that the substantive relationship between rural non-farm employment and rural poverty has been substantially improved over the years.

Conclusions and Suggestions

As per the above discussion, it is concluded that urbanization significantly influence both rural poverty and rural non-farm employment in the Indian economy. However, the impact is more impressive on latter in contrast to former. The probable reason is that urbanization has direct impact on rural non-farm employment and has indirect impact on rural poverty. This is because rural non-farm employment has direct and significant impact on rural poverty. In short, healthy urbanization is considerably essential in the Indian economy so far as the growth of rural non-farm employment and the alleviation of rural poverty are concerned. However, the critics says that in what level the Indian economy has achieved so far a lot needs to be urgently required with greater attention.

It is expected that slowing down of urbanization may not only increased pressure on the already crowded agricultural resources of the poorer and economically less developed states but may further widen the disparities in rural development across Indian states as well as rural-urban disparities within the less urbanized states. Thus, it is essential to bring more urbanization in the Indian economy and generates its substantial contribution to rural poverty and rural non-farm employment. To do the same, the following measures seems to be fruitful, which are as follows:

- Accelerate the pace of urbanization and integrate it with the process of overall national development. This needs all types of support for the growth of urbanization. Further, this calls for detail review on the economy with respect to location, history, current economic structure, infrastructure base and the availability of physical as well as human resource base.
- There is need of absenting restrictive policies in the economy and thus, increasing the mobility of population and firms for promoting national economic growth, efficiency and equality. The main driving force behind it is a better standard of living away from rural economy.
- Define a focused set of roles of the government, mainly to facilitate market functions and to provide public infrastructure and thus, safeguard the environment and welfare.

- There is need of institutional reforms in the urban and rural land tenure systems. This helps in bringing urbanization in the economy and also helpful for efficient allocation of economic resources.
- There is requirement of innovative and prudent means to expand and upgrade the existing level of infrastructure in the economy, which seems to be thrust area for healthy urbanization.
- Allow adaptation of the national strategy to regional level, based on careful strategic studies for specific regions.
- There is need of agglomeration economies. This needs removing the scarcity of access to domestic and international markets and generation of sufficient infrastructure base in the economy.
- Government should be more liberal in ensuring efficient urban-based development in the form of facilitating trade and fair competition, removing barriers to mobility of commodities, capital, population, social safety net, etc.
- Besides, Government should strengthen the capacities of local governments. This is, in fact, essential, as the management and entrepreneurship by local governments are critical in realizing the benefits of local competitive advantage in the global market.

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