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GRADUATE SCHOOL OF DEVELOPMENT STUDIES

Livelihood Diversification and Rural Poor.
Forced Choice or Golden Opportunity?
A Case Study of Andhra Pradesh State in India

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2. It then goes on to describe the various methods used to collect and analyze data, including surveys, interviews, and focus groups.

3. The document also outlines the steps involved in developing a research plan, from identifying the research question to selecting the appropriate methodology.

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ACRONYMS

AP	Andhra Pradesh
BPL	Below Poverty Line
C&B	Commune and Brigade
CSO	Central Statistical Organisation
DfID	Department for International Development
GoAP	Government of Andhra Pradesh
Hh	Household
KM	Kilo Meter
NCAER	National Council for Applied Economic Research
NSS	National Sample Survey
ODI	Overseas Development Institute
RNFE	Rural Non-Farm Economy
SRL	Sustainable Rural Livelihoods
TVE	Township and Village Enterprises
UK	United Kingdom

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2. It is essential to ensure that all entries are supported by appropriate documentation.

3. Regular audits should be conducted to verify the accuracy of the records.

4. The second part of the document outlines the procedures for handling discrepancies.

5. Any errors identified during the audit process should be promptly investigated.

6. The findings of the audit should be reported to the appropriate authorities.

7. The third part of the document provides a summary of the key findings.

8. It is recommended that the organization implement the following measures:

9. To improve the accuracy of the records, the following steps should be taken:

10. The implementation of these measures will help to ensure the integrity of the data.

11. The fourth part of the document discusses the role of management in this process.

12. Management should ensure that all staff are adequately trained and supervised.

13. The fifth part of the document provides a conclusion and recommendations.

14. It is concluded that the current system is effective but requires some improvements.

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Chapter I Introduction to the study

Background of the study

The significance of the rural non-farm sector in the rural economy and total rural incomes is increasingly being emphasized in the recent rural development literature (Ellis, 2000; Lanjouw and Shariff, 2004; Ellis and Freeman, 2005). Recent trends in the rural Indian economy suggest that rural non-farm employment is growing and making a significant contribution to the total incomes of the rural households (Bhalla, 2002). The economic reforms and structural adjustment process undertaken in the country since the early 90s have contributed to reduced significance of agriculture and enhanced the role of non-farm productive activity in the rural economy (Harris-White and Janakarajan 1997, Haggblade and Hazzel 2002). The rise of non-farm economy coincides with the relative reduction in contribution of the agriculture sector to the national GDP, and a trend of movement of labour to urban areas for industrial work. Explaining the rise of non-farm economy in rural areas Start (2001) says 'Declining global terms of trade and population densities above carrying capacity -amongst other factors - present a bleak prospect for smallholder agriculture as a fulltime livelihood for the majority. Likewise, rapid growth in urban employment through labour-intensive industrialization has not been realized. The rural non-farm economy (RNFE), which lies between these two sectors and in many countries is growing.' The non-farm sector is being looked at increasingly by policy makers as an important factor in reduction of rural poverty levels both by growth as well as by employment generation and absorption of surplus labour from agriculture (Nayyar and Sharma, 2005).

Among the Indian states following the path of diversification into rural non-farm sector as a way out of rural poverty, the case of Andhra Pradesh (AP) is particularly significant. Andhra Pradesh is one of the four major South Indian provinces. It has a largely rural population.¹ A brief profile of the state is provided later. Rural AP has a predominantly agrarian economy with vast majority of the rural households depending on agriculture sector as their main source of livelihoods. According to the

government statistics about 26% of the households are classified as living Below Poverty Line (BPL), most of them living in rural areas. Andhra Pradesh was the first Indian state to prepare a long term vision document titled 'Vision 2020' in 1999, the drafting of which was facilitated by the international consulting firm McKinsey and Co (Dev and Mahajan, 2001). It promises to enable every individual in the state to lead a comfortable life filled with opportunities to learn and develop skills by 2020 (GoAP 1999) and elaborates the government's plans towards various challenges facing the state in the coming years. In terms of the agriculture sector, the vision document suggests to reduce the proportion of households dependent on agriculture from above 70% in 1999 to about 40% by 2020 (GoAP, 1999). On employment the government promises to create 18-20 million new jobs and puts emphasis on development of agro-processing industries and rural industries as areas where the state would take a leadership role in the country (GoAP 1999).

This study looks at the process of diversification of rural livelihoods and growth of the non farm sector in the state. It examines driving factors for the RNFE growth and benefits accruing to the poor from this process need to be examined. This research tries to take a critical look at the process and its poverty reducing capabilities.

In this paper I will argue that the growth of employment in RNFE sector is largely a result of the transformation going on in the agriculture sector in the state and not due to any significant growth opportunities provided by the RNFE sector itself. State level statistics and macro studies reveal that the poor are forced to seek income from non-farm sources, because of not being able to secure sustainable livelihood from agriculture rather than by seeing a growth opportunity in the non-farm sector itself. There are significant constraints/ entry barrier which prevent the poor from benefit from the more lucrative opportunities from RNFE, they diversify under adverse condition. This deduction from the macro picture is supported by the village level evidences from selected village case studies across different regions of the state. This leads us to suggest that the policy of following the growth path that the state seems to have adopted in its vision document seems to be lacking such structural analysis. The

¹ About 73% of the population of Andhra Pradesh is Rural according to the 2001 census report of India, <http://www.censusindia.net/results/rudist.html>, accessed on 5 Oct 2005

likelihood of achieving the aims aspired in the vision document would remain slim unless structural causes of rural poverty and inequity are addressed.

Relevance of the study

Livelihood diversification is real and extensive and it is here to stay. It not just limited to specific areas or regions but prevalent across worldwide, among rich as well as poor. Ellis (1999) cites empirical evidence from a variety of studies around the world revealing the significance of the diversification in household incomes. He chooses reliance on non-farm sources as an indicator of diversity in household income sources and presents data from sub-Saharan Africa where the non-farm sources contribute 30-50% of household income, in some regions in southern Africa it goes as high as 80-90%. In south Asia roughly 60% of household incomes come form non-farm sources and this proportion varies widely between different regions. In India, non-farm incomes account for a significant proportion of household income in rural areas ²at the national level. Non-farm incomes accrue via wage employment as well as self-employment/own enterprise activities, and that within the former there is an important distinction between casual wage employment and salaried, regular employment. Also the overall national figures masks considerable variation across income quintiles and across India's major states (Lanjouw and Shariff 2004). Thus there is no clear indication of any direct relationship between rural livelihood diversification and rural poverty across the country.

The debate in the academic literature available on the subject is as yet inconclusive. A number of studies providing evidence for increased incomes and reduced vulnerability from diversification coexist with a large number of studies providing evidence to the contrary. Evidence from sub Saharan Africa suggests that higher degree of diversification is associated with lower levels of poverty (Ellis 1999). Other authors (Rao 2005) discuss the important role played by diversification in to non-farm sources in the rapid growth of rural economies in China and in South East Asia. At one end the growth oriented theories look at diversification to RNFE sector as an opportunity for growth, employment generation and hence a pro-poor process (Nayyar and Sharma, 2005; Chaddha 2002). On the other hand many researchers have serious

reservations on this 'claimed benefits' of the diversification into RNFE sector (Saith 1992). They tend to look at diversification as a result of structural poverty and a survival strategy undertaken in distress by the poor when pushed out of the agriculture sector by the process of capitalist transformation rather than as growth opportunity for the poor (Bryceson 2000). The debate on the poverty reducing potential of the RNFE is as yet inconclusive.

In the Indian context, although the emergence of the RNFE sector and its linkages with the dynamics of the agriculture sector is well documented, the precise question of the impact of RNFE on poverty has not been addressed in research literature (Lanjouw and Shariff 2004). Hence there is a need to look at RNFE in this light.

Understanding the effects of diversification in the state of AP is even more important in light of its rapid progress of the diversification process in the state and the explicitly stated policy of the government to reduce dependence on agriculture for the poor and encourage diversification into rural non-farm and agro-based industries for employment generation for the rural poor as a way out of poverty³. As a number of researchers have suggested that the impact of RNFE on poverty levels is conditional on the prevalent initial conditions, it is essential to look at the emerging trend of diversification and conditions in rural economy to assess whether the growth of RNFE sector would benefit the poor or not.

Research Strategy

Study Objectives

This paper aims to take a close look at the transformation taking place in the rural economy in the state of Andhra Pradesh and attempts to examine the justification in the policies of looking at livelihood diversification as a way out of poverty for rural poor. As a first step, it will try to understand the driving forces behind the diversification process. It will try to seek the determinants of diversification especially

² An NCAER study based on data collected in 1993-94 (cited by Lanjouw and Shariff) estimated roughly a third of the income at household levels in rural India comes from non-farm sources, Ellis (2000) provides a higher figure of 40%.

³ It should be noted that government which had drafted the policy under 'Vision 2020' was voted out of power in the last election of 2004, the new ruling dispensation while reversing many of the previous government's policies has not yet made their policies on RNFE sector's role in poverty reduction as envisioned in the document explicit

for poor households (whether push or pull factors). Finally it attempts to get some effects of the diversification into non-farm sector on income poverty in rural AP.

Research questions

'Does the process of diversification of livelihoods, facilitated by the state and major developmental interventions provide a way out of poverty, to the rural poor in the state of Andhra Pradesh in India?'

The following sub-questions would be dealt with in the study

- What factors drive the process of diversification of livelihoods in rural Andhra Pradesh?
- Do poor people get equitable access to diversification opportunities or there is a differentiation in the pattern of diversification of livelihoods undertaken by the rich and poor?
- What is the impact of diversification on income poverty?

Methods and methodology

This study is based on secondary research, involving both quantitative and qualitative data analysis from various sources. Information for analysis in this study has been sourced from various books and journal articles, secondary data at national, provincial and district levels available on internet, with various government and non-governmental bodies. Official documents of the government (like the Vision 2020 document); project documents of livelihood projects (like Velugu project supported by the GoAP and World Bank) have been referred to in order to get relevant information and policy details.

A literature review was undertaken to find the different dominant theoretical discourses on the role of RNFE sector. The debates between the proponents and critiques of the sustainable rural livelihoods framework has been reviewed to understand their stand on the utility and effectiveness of the SRL framework which has emerged as the most dominant approach influencing the livelihoods interventions in India.

Following the review of the theories, a contextualisation of the RNFE growth in Andhra Pradesh has been attempted with review of experiences of other Asian

countries and the trends in the national level. Similarly changes in the rural economy especially in the agriculture sector in the state and its influence on the growth of RNFE is reviewed. Information from different rounds of National Sample Survey and other national level data like Census report and its analysis undertaken by different researchers (Dev and Mahajan 2001, Mecharla 2002) has been used to obtain a trend of rural employment in different sectors including agriculture and to map transformation in the rural AP. Finally household survey data from study undertaken in 1993-94 by the National Council of Applied Economic Research (NCAER) on their income sources has been borrowed from research by Lanjouw and Shariff, 2004 to understand trends emerging at the state level on role of RNFE and incomes from it. The findings are largely based on macro level analysis of the region and province. But evidences from a few micro level village studies have been used to verify the inferences drawn from the broad studies.

This approach of relying on macro level statistical data for gathering the trends and verifying the same through micro level village studies provide us with certain degree of triangulation.

Scope and limitations

This study covers the state of Andhra Pradesh. Although the theoretical discussions on RNFE sector are of more universal nature, the findings of this study on the poverty impact of RNFE are limited to the state.

The study relies on secondary data, and did not have any primary research or data analysis in the methodology due to resource and time constraint. Hence specific micro level or household level evidence to back up the findings are lacking, but inferences at broader state level trends have been drawn.

This study looks at poverty as income poverty, i.e. the lack of income or adequate consumption as this notion of poverty is most commonly used by the macro level studies to which this paper makes reference to. It is however to be noted that poverty is multi dimensional, includes exclusion, gender disparities, voicelessness, powerlessness. But assessing the impact of diversification into non-farm sector on those aspects of poverty is kept out of the scope of the research.

It was not possible to access recent statistical data or evidences at the state level, most of the statistical evidences provide for the state are from the period of 1990s. And the government policy of vision 2020 was drafted in 1999. But broad trend of the rural transformation has not altered significantly within the last decade and the policy of the state on the diversification in to RNFE is of long term in nature, hence the inferences drawn from this study remain valid.

Organisation of the paper

The organisation of the paper has been as follows. Chapter one provides a brief introduction to the study. The second chapter deals with a review of theories on the issue of livelihood diversification and its benefits to the poor. Some analytical issues are dealt with in the chapter three where a brief description of the main concepts and how these are dealt with in this paper is summarised. This is followed by the contextualisation of the research problem in chapter four. This starts by a brief review of the experiences from rural livelihood diversification and growth of non-farm economy in other countries in Asia, followed by a macro national level trend and analysis of livelihood diversification and poverty reduction pathway. The next section in this chapter provides a brief introduction to the state of the Andhra Pradesh followed by an overview of the rural transformation process currently undergoing in the state and the state's chosen path rural development. Empirical evidences of livelihood diversification in rural Andhra Pradesh and its impact on poor is analysed in the chapter five. The last chapter summarises the findings and conclusions of the study.

Chapter II - Review of theories:

The objective of this chapter is to review the dominant theoretical discourses concerning the research question. I will start the chapter by tracing the origin of the concept of livelihood diversification, its emergence as a major concern in poverty alleviation and the difference in views of researchers of different lines of thought on the poverty impact of diversification. The main debate on livelihood diversification in the development discourse happens within the context of one of the more fundamental debates in social studies, that of the structure and agency. I would try to briefly introduce the different dominant views in the debate in the context of livelihood diversification. In the next two sections I shall attempt to summarise the explanation of emergence and growing importance of livelihood diversification and its poverty impact by an agency oriented approach (the growth oriented new institutional approach) and a structuralist approach (class based approach). This would be followed by a discussion of the sustainable rural livelihoods framework, which dominates the present intervention planning on livelihoods issues, its ideological base, approaches and critique. In the final section I shall summarise the review of the theoretical approaches on livelihood diversification.

Emergence of the concept of diversified livelihoods

Diversification of rural livelihoods has started to dominate the discussions on rural development during the last three decades. Prior to this agriculture was seen as the predominant occupation of all rural households (Saith 1992). The social transition in the rural areas was equated to agrarian transition. So much so that a planning commission document of Aug 1977 as quoted by Alagh (2005) reads "it is a historically unique fact that over six decennial censuses, in spite of impressive developments of the large scale manufacturing and infrastructure sector, the share of agriculture in workforce has not diminished at all. It was 73% in 1921, 73% again in 1961 and 73.8% in 1971. The figure for 1971 is in fact slightly higher than 1961." Although the rural society was never considered to be absolutely static, but changes happening in the rural social production systems before the eighties were taken to be primarily in agriculture sector. Hence the question of diversification of livelihoods in to non-farm employment was not given serious consideration.

Rural households in India always consisted of a diversified portfolio of livelihood options as a practice since olden times (a combination of caste based artisanal work, livestock, other auxiliary activities or labour and subsistence agriculture), but its discovery in the development discourse by western researchers is more recent. Ellis (2000) has observed that interest in the livelihood diversity in developing countries coincides with changes in the labour market conditions in the industrial economies. In the market led economies of the west created the flexible labour markets which necessitated a number of job switch (some times to completely new sectors or industries) with in the working life of a person. Flexible labour markets also led to the phenomenon of engaging in multiple part-time occupations in order to maintain a minimum standard of living. The link between emergence of diversification as a concept and the urban industrial societies of the western economies is best described in the quote at the beginning of the first chapter of his book:

“Rural Families increasingly come to resemble miniature highly diversified conglomerates” Cain and McNicoll (cited in Ellis 2000: 4)

Significance of the non-farm sector in Indian rural economy was first brought out in the mid 70's. The linkage literature launched by John Mellor in that period emphasised the intimate relationship between agriculture and non-agriculture sector in rural areas (see Mellor 1976). Mellor envisioned a virtual cycle of accumulation where the increasing agriculture productivity and income would be magnified by the multiple linkages with the non-farm sector. These linkages were thought to be of both forward as well as backward production linkages, as well as consumption linkages. The growth in non-farm sector was expected to stimulate further growth in the farm sector as the higher investments could be made for technology improvement (through profits of the non-farm), and lower input costs (through integration). This reinforcing growth vision of both the farm and non-farm sector was to result in rapid expansion of the economy and was to have poverty reducing effect. This line of analysis was furthered by many other researchers like Hazel, Haggblade, Harris and the literature on the social accumulation matrix [See Lanjouw and Shariff for a brief literature review on the issue]. Their theory of growth and structural transformation suggest that a diversifying economy is a growing economy that will create new jobs and avert

downward pressure on rural wages. They tend to equate the term diversification with economic transformation, synonymous with the growth and development process as a whole. In this context the RNFE is progressive and livelihood diversification is a positive strategy of adaptation which can lead to accumulation by rural producers. Start (2001) cites a number of authors and their work (e.g. Kuznets 1966, 1971, Chenery, Robinson and Syrquin 1986, Syrquin and Chenery 1989).

On the other hand some field based evidence from India suggested that diversification is not always associated with growth and accumulation, but may some time be a coping strategy by the poor in case of being pushed out from their regular livelihood options (Vaidyanathan, 1986). This important work by Vaidyanathan initiated a debate in the developmental literature in India on the universally benefiting features of the non-farm economy in rural areas that's still ongoing. In this view, livelihood diversification is viewed as a residual sector that offers no more than a 'bargain basement' for distress or coping activities (Saith 1992), mopping up the fall out of a failing smallholder agricultural sector (e.g. Davis 2003, Scoones 1998). These RNFEs, which often engage in cheap, inferior produce for stagnant local demand, we can consider as involuntary (Harris 1992, Bryceson et al – 2000) or regressive. This distinction between essentially positive and negative forms of diversification at a household level has been noted by some (e.g. Hart 1994, Davis 2003, Ellis 2000) and at village level by others (e.g. Harris 1991, Saith 1992, Chandrasekhar 1993). Diversification is hoped to increase returns and minimize risk, however it is questionable whether it is a survival strategy or a means of accumulation. The question to pose is whether diversification of income sources reflects a route out of poverty or is a reflection of poverty (van de Walle & Cratty 2004)?

This discussion on the benefits of diversification on poor peoples' livelihoods, (whether it is used as a choice for growth by the poor or is forced upon the poor as a survival / coping strategy by the social structures around them) is based on one of the more fundamental debates in social science, that of the structure and agency. The details of this debate are out of the scope of this paper, but a brief introduction of this issue is provided in the following section. The emergence of the sustainable rural livelihoods framework in the late 90's and its adoption by major development support agencies has made it the most dominant view from intervention planning and policy

formulation point of view in recent years. This approach takes a more agency oriented approach and thus propagates the first view (that of growth orientation and poverty reducing effects of diversification). In this chapter we shall have brief discussion on the major views of both structuralist as well as agency oriented approach to diversification.

Structure and Agency Debate

Structure can be understood to be any recurring patterns of social behaviour. Such behaviour, because it is common and regular, has a constraining effect on other people and we all tend to act in accord with the pressures exercised by social structure (Hay, 1995). The idea of a structure in social sciences, the structure of society, is often more abstract. Most of our social relations are not random or haphazard, but highly organised, patterned, and structured. This applies not only to large scale and increasingly global structures, which order relations across the globe (such as an international economic structure) but even most intimate social encounters (a meeting between two friends on the street) is highly patterned and has a structure (Kay, 2005).

By agency we are referring to the intentions, purposes and decisions made by individuals (or groups) in society. Individuals have goals, purposes which they want to accomplish and they do this by acting, by choosing a course of action. We can think of an agent as someone "who acts, or exerts power, to bring something about" (Hay 1995).

The concept of agency is used to express the degree of free will that is exercised by the individual in their social action. We express our agency according to the degree of constraint we experience from the structure. Some people have less agency than others because of structural factors like poverty, and some circumstances create less agency for all, like an oppressive political regime.

A structuralist approach privileges (gives priority to) structure within the structure-agency relationship (Hay 1995). It explains outcomes, events and processes in terms of the operation of unobservable social and political structures. Many of these structures constrain actors and lie outside their immediate perception, e.g. international financial structures where causes may be found at some distance from the immediate context. Actors may not be aware of the forces shaping their lives. On

the other hand actor oriented approach argues that structures cannot be seen as determining and the emphasis should be placed on the way that individuals create the world around them (Kay, 2005). This approach challenges the concept of 'received wisdom' and emphasizes the central significance of 'human agency' and self-organizing processes, and the mutual determination of so-called 'internal' and 'external' factors and relationships (Long 2002). Indeed, in its extreme form it even argues that there is no such thing as social structure; it is the accumulation of human agency which forms the structure.

Growth based agency oriented view - Idea of sustainable rural livelihoods

The growth based approach looks at livelihood diversification as a rational choice made by the individuals and assumes that diversification into non-farm activities would increase the efficiency of the rural labour as agriculture alone is not able to provide efficiently utilise the labour resource. One of the four characteristics of Simon Kuznet's 'modern economic growth' relates to a shift of the labour force from agricultural to non-agricultural sector during the process of economic development (Chatterjee and Kundu, 2002). However the failure of the growth theories in their prediction of mutually reinforcing growth of farm and non-farm sectors through linkages (Mellor, 1976) and poverty reducing impacts of green revolution technologies called for revision of some of the principles of neo-liberal economics. The current approach of growth theorists does accept the important role played by institutions in facilitating or constraining the agency or choice of the rational individuals, and is called the new-institutional economics. This approach still makes the assumption of rationality of individual actors and gives primacy to growth objective and market forces. But it does recognise the imperfections in the market can lead to less than optimal results in terms of welfare. Furthermore it believes information asymmetry of the individuals can lead to bounded rationality and adverse selection in decision making. It aims to make the institutions work and believe an appropriate institutional set up would ensure the rules of the game are clear to all and it can be enforced (Stein 1994). This would lead to more efficient allocation of resources by individual actors. At a macro level diversification into of livelihoods non-farm sectors in rural areas leads to higher productivity of the surplus labour engaged in subsistence agriculture, utilises local resources, prevents large-scale urban migration and

reduces the rural-urban economic growth gap (Chaddha 2005). Growth of non-farm sector through diversification of rural livelihoods is welcomed. In the context of diversification of livelihoods, the approach of this line of thinking is reflected in the sustainable rural livelihood framework discussed later in this chapter.

Class based view – Class differentiation in rural economy and Depeasantisation

The class based literature looks at the process of diversification as a part of the overall class differentiation process in rural areas, and makes a differentiation between the livelihood diversification undertaken by the affluent rural elites and the poor peasantries. Understanding the diversification into rural non-farm sector must be done within the context of agriculture, commercialization, urbanization, household socio-economic conditions, and the community infrastructure because they are determinants of success and shape the environment of RNFE. Whereas the diversification of the rural elites into non-agricultural sectors takes in the shape of investment of accumulated surpluses, in the case of peasantries diversification is seen as being a part of a larger process of de-agrarianisation. De-agrarianisation is defined as a long term process consisting of occupational adjustment, income earning re-orientation, social identification and spatial relocation of rural dwellers away from strictly peasant modes of livelihoods (Bryceson 1997). Bryceson believes that not all features of the de-agrarianisation happen simultaneously. Often the occupational adjustments by diversification into non-farm activities precede the other symptoms like the spatial displacement. This process is one of the consequences of increasingly Capitalist mode of production – and the resulting economic pressure undermining peasant farming, environmental degradation on one hand and economic and political opportunities in new and emerging non-agricultural sectors on the other.

The classical thinking in this approach predicted that the final result of this class differentiation would be a full scale depeasantisation, i.e. the rural peasantries would be divided into two parts. Those who have the resources and can adapt to the process of capitalist mode of production would become capitalist farmers and the others would be pushed out from the land-owning class and become available as labourers either for the industrial sector or for the agriculture sector as rural proletariats (Lenin, 82). But the field evidence shows that such extreme conditions do not prevail, small

farmers do manage to survive, in fact as we shall discuss in the chapter four, the evidence from AP shows that there has been a proliferation of small and marginal farmers who have little surplus capital to engage in a purely capitalist mode of production. In such a scenario, engagement in RNFE sector provides a crucial part of the livelihood to rural households who can not make a sustainable living from agriculture alone. While acknowledging the growth of RNFE sector from the surplus generated by agriculture sector by the capitalist farmers, class based theories believe that RNFE growth can also result from agricultural stagnation and underemployment in agriculture (Mooij 2000 quoting Chandrashekhar 1993).

The differential nature of employment and incomes from non agricultural work based on class is highlighted in this approaches. Diversification occurs for various reasons. By deconstructing the rationale of a household in broadening its income sources, a more realistic perspective on the incidence and causation of poverty is gained. Poor are drawn into non-farm employment under very unfavourable conditions with little choice and scant opportunity to improve their structural positions (Kapadia 2000). Although this approach acknowledges the increasingly critical role played by the RNFE sector in the rural livelihoods, but it does not believe in any uniform outcome through the process of diversification. The benefits of RNFE and the nature of RNFE activities themselves vary by regions, also shaped by different context-dependent processes and generate different effects on peasant livelihoods, social differentiation and the overall structure of the society (Mooij 2000).

Sustainable rural livelihoods framework

During the last decade the Sustainable Rural Livelihoods framework has emerged as the dominant approach adopted by many development support agencies (e.g. DfID UK) to influence development intervention in the field. The idea of livelihood first emerged in the report of the advisory panel of the World Commission on Environment and Development in 1987, where sustainable livelihood security was presented as an integrating concept combining capability, equity and sustainability (Chambers and Conway 1991). According to this approach, in different contexts sustainable livelihoods are achieved through access to a range of livelihood resources or capitals (natural, economic, human, social, financial and others). These are combined in the pursuit of livelihood strategies (Scoones 1998). This agency oriented

framework looks at livelihoods as consisting of activities, assets and access (Chambers and Conway 1991). It believes in the capacity of the people to 'improvise livelihoods' when faced with a degree adversity (Bebbington 1999). According to it poor people adopt to the social, economic and ecological environment in which they find themselves. A person or household may 'choose' a livelihoods through education or migration. They concede that better-off people have a wider 'choice' (Chambers and Conway, 1991). Such wider choice can be generated by economic growth as per this approach. Further work by Bebbington (1999) in this approach looks at livelihoods as a portfolio or pathways and the resources which can be substituted with one another for creating livelihoods opportunities. He ascribes to centrality of people's assets, capitals (resources) and how people use these resources to creating livelihood opportunities. SRL framework sees assets as a vehicle for instrumental actions (making a living), hermeneutic actions (making living meaningful) and emancipatory actions (changing the structure in which one lives). He believes critical to these actions of the persons is the role of social capital which in many ways determines the access to resources (Bebbington, 1999). He terms this as a framework of understanding poverty in terms of assets. Assets are thus as much important for empowerment and change as they are for survival and getting by.

The discussion of emergence and growth of the sustainable rural livelihoods approach reveals that there is a institutional and ideological position as the main driving force behind the development of the framework. The Overseas Development Institute (later known as the Department for International Development) of the Government of UK supported the a project titled the Sustainable Livelihoods Research programme, and most of the field research and defining literature of the framework were produced under the auspices of this research project (included the literature by Chambers, Scoones and partially the research of Bebbington). The DfID UK has in fact formally adopted the SRL framework as its main strategic framework to understand and alleviate poverty globally (Sustainable livelihoods: Building on strengths –available on its web portal⁴). Its proponents claim that the sustainable Rural Livelihoods approach is the most sensible and practical way in thinking about, planning and implementing development intervention (DfID, 2005). Some points used in the

⁴ A web resource centre by DfID on Sustainable Livelihoods, http://www.livelihoods.org/info/docs/SL_BoS.pdf accessed on 5 Oct 2005

DfID's explanation of the framework as follows reveal the agency orientation of their approach and focus on adaptation to the existing institutional system rather than changing it:

- Building on people strength rather than their needs
- Puts people and their resources (assets) at the centre
- It unifies different sectors under a common theme of livelihoods
- Responds quickly to changing environment

It believes that different sections of people have different experience of poverty and all of them have and different skills and strategies to overcome it. It acknowledges the existence of institutional structures and policy constraints which govern (facilitating or constraining) the people's access to resources. It advocates working in partnership with existing institutional set up in collaboration with it. As Bebbington explained change in the institutional structures can be brought about by the empowerment of the people, and it might ultimately be succeeded in transforming the structure (Bebbington, 1999). All major state sponsored poverty alleviation projects in Andhra Pradesh adopt the SRL framework and its approach for poverty alleviation. Some examples of application of SRL framework and livelihood diversification strategies in poverty alleviation interventions in AP are the Velugu project (supported by World Bank and the Govt of AP) and the Andhra Pradesh Rural Livelihoods Project (supported by the DfID UK and GoAP). With such high investment on poverty reduction strategies based on this approach by the state, it is pertinent to do a critical analysis of the diversification process advocated by this approach and if actually benefits the poor or not.

Critiques of the SRL approach believe that livelihood analysis focuses on the context of people's livelihood decision making, but not the causes of the changed context. There is a need for historical study to establish the chains of causation revealing not just immediate proximate causes but also ultimate causation (Bryceson, 2005:48). It lacks a sense of history and contextualisation, the analysis is of the existing situation and institutional processes as of now. There is no analysis of how this situation came into being, or if it always existed like the same. Hence the causality of relationships cannot be established with any degree of certainty. As we have already discussed, the class based approaches challenge the assumption of choice to diversify on the part of

poor and differential access to opportunities and work conditions means diversification actually contributes towards social differentiation rather than providing an equalising opportunity as assumed in the SRL approach. SRL approach argues that diversification reduces vulnerability as a means of coping; by spreading risk or moving into new, less precarious sectors (Ellis 2000). However in the longer term, the consequences of RNFE participation may be to increase vulnerability, through insecure labour arrangements and entrepreneurial risk but also through the gradual loss of a viable subsistence agriculture fall-back and dislocation from the securities of rural life (Start 2001).

Conclusion

In this section we have reviewed the dominant theoretical positions on the causes and effects of livelihood diversification in rural areas. We have seen that the main arguments and theoretical positions on the issue are derived in the context of the structure-agency debate. The growth linkage theorists take the agency oriented position and argue that diversification of livelihood is undertaken by the poor to seek higher productivity for their labour compared to the agriculture sector. The growth limitation in the agriculture sector prompts people seeking higher income to diversify into non-farm sectors. The opportunities available in the RNFE sector can potentially reinforce the growth in the agriculture sector and can have an overall wage increasing effect for the poor. The sustainable rural livelihood framework is derived out of this approach. However it is important that an enabling institutional process exists which would ensure the rational choice making. The class based theories take a more structuralist approach and challenge and look at diversification as a result of agrarian transformation process and feeding into the ongoing class differentiation process in the rural areas. In this view the diversification of livelihoods can be progressive or regressive in terms of poverty reduction depending on the initial conditions and contexts. This approach challenges the SRL framework for its lack of focus on historical and contextual processes. From the theoretical review, we can identify some of the key concepts and move on in the following chapter to defining and explaining these in order to answer the research question.

Chapter III Analytical Issues

This chapter would introduce and provide a brief of the key concepts which have a large bearing in the research question. As the objective of this study is to look at the ongoing process of livelihood diversification in the rural areas of the state of Andhra Pradesh and examine if this process is benefiting the poor or not, the most important concepts in this research include livelihood diversification, poverty, agrarian transition and non-farm opportunities. While providing a brief on the key concept, the opinion implication according both the dominant theories described in the previous section will be borne in mind and the degree of details to which this particular concept would be dealt with in this study would be clarified. Finally the linkages between these issues will be explained.

Key concepts and variables

Livelihood diversification – Livelihood diversification is the process of increasing number of ways of making a living, for example with in or across agriculture, labour, industries, trades etc. At a community level it is represented by diversified occupations of different people, at an individual household level it is represented by its members being engaged in a number of occupation/activities (some times part-time) to earn their income. In the context of rural areas, as agriculture has been the pre-dominant occupation for a long time, some researchers define diversification as economic development of non-agricultural activities or a livelihood which has multiple, part-time components (Start 2001). For the purpose of this research as we are looking at broader macro level picture of diversification, we can take this definition of increasing non-agricultural activities with in rural areas as the variable to represent livelihood diversification. Hence migration to or remittances from urban areas would not be part of the study here.

Livelihood diversification can be positive (growth inducing) or negative (coping or last resort for poor) or a combination of these two. Distinction between essentially positive and negative forms of diversification at a household level has been noted by some (e.g. Hart 1994, Davis 2003, Ellis 2000) and at a rural level by others (e.g. Harris 1991, Saith 1992, Chandrasekhar 1993). Generally the motivation to diversify

can be categorized as either 'push' or 'pull', and this is largely determined by the environmental conditions prevalent

The 'push' factors are multiple, for example, land constraints, to reduce risk, in response to diminishing returns on agricultural activity, economic conditions, desire to stabilize consumption patterns, drought. Often linking production chains from the agricultural sector to the non-farm sector is a viable and realistic option. Many researchers have cited examples, of poor people's involvement in RNFE activity is a result of distress (Davis 2003; Vaidyanathan 1986). 'Pull' factors vary as well; investment opportunity, compliments existing production systems, skills or endowments (Barrett, Reardon, Webb 2001). The move towards non-farm activities is based on the historical factors, endowments, and the development infrastructure, information networks and institutional structures (van de Walle & Cratty 2004).

Community resources, attributes and social capital are pertinent to the decision of diversification, the physical and institutional infrastructure, such as remoteness or likelihood of natural disasters, contribute to the potential success of diversification, as well as kinship and social networks for reducing transaction costs in the market (Davis 2003: 11).

In the long term, an expanding RNFE and multiple livelihoods are a temporary phenomenon of structural transformation. However, the growth process is slow and these symptoms will be with us for many years to come. Livelihood diversification is often a reflection of micro level adjustment that households have adopted as families struggle to combine stagnant or declining agricultural prospects with reliance on non-farm activities like trade and services. Macro level economic reforms and structural adjustment programs contributed to these micro level conditions rather than boosting productivity, employment and incomes in agriculture as they had originally aimed to do. Such Macro – micro linkages play an important role in the understanding of livelihood diversification. (Sen K 2005).

Poverty: Although it is a very simple and commonly used term in day-to-day life, Poverty can be a very complex concept to define. It can be thought of as deprivation of well-being. Mainstream notions of poverty often described it as a deficiency of economic means which prohibits meeting one's basic needs, this definition however

gives no insight into the deprivation and limitations people are forced to live. Poverty is not limited to the basket of goods one can afford; such as material well-being, clothing, income, and other such economic consumptions. Robert Chambers describes the dimension of deprivation in a more holistic way his definition includes: income poverty (lack of physical necessities, assets etc), social inferiority (caste, race, gender), isolation, physical weakness, vulnerability (risk exposure), and humiliation (lack of self respect, independence, etc). This vision of deprivation places emphasis on the political, cultural, and social dimension of poverty (Chambers 1994).

Poverty alleviation policies must address economic well-being as well as the structural issues that perpetuate human deprivation and have endured over time. For example, a region might have a sufficient source of income coupled with a very low life expectancy. Often poverty is rooted in unequal access to productive resources and assets, such as land or machinery. This includes human capital, physical capital, financial capital, social capital, and natural capital (Ellis 2000). All of these assets must be addressed when approaching issue of poverty and diversification.

In the context of this research would indeed be very insightful to see the influence of the livelihood diversification process on social inequalities, gender disparities and exclusion of socially marginalised groups (like the scheduled caste or tribe in India). But the time and resource constraints faced and the limited of scope of this research make it impossible to do justice to all the different dimensions of poverty. We shall be limiting our discussions in this study to income poverty, to the poverty line approach adopted by the state, looking at consumption patterns at household level and identifying household below the poverty line (BPL). It is possible to access statistics on this from various national and regional surveys, whereas it would be relatively difficult to obtain measure of other more qualitative dimensions of poverty. While summarising macro level trends of RNFE sector, we may look at some trends on income inequalities, differential access opportunities to socially marginalised groups and based on gender disparities. But it would not be possible to make detailed examination of any of these trends.

Agrarian transition: Agrarian transition can be seen as the process of ongoing changes in the agriculture sector in terms of its production processes, role played by it in the overall economy, and its pursuit as a means of livelihood in the rural areas. It

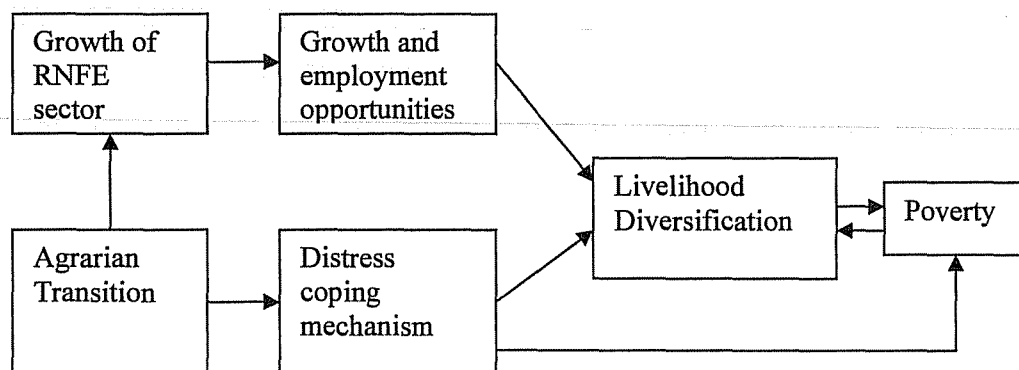
has key influence on the growth of non-farm sector and distribution of benefits from the RNFE especially in a predominantly agrarian society lie in rural India or rural Andhra Pradesh. Both the growth linkage theory as well as the structural class based theory attaches significance to the process of agrarian transition in explaining the causes and effects of RNFE growth. Growth linkage theory looks at RNFE as resulting from the capital accumulation from agriculture sector which is being invested in newer non-farm sectors where the marginal return is expected to be much higher. Whereas class based theories look at the emergence of RNFE as a result of changes in the mode of production in the agriculture sector in to a capitalist economy in the rural areas. Hence the nature of agrarian transition taking place in a rural economy is crucial in determining the access to assets and how which in turn would determine the ability of the people

While looking at the influence of the agrarian transition on the RNFE sector, it would be important to look at what changes are happening in the pattern of landholding and in the organization of the agriculture production process. These factors have a large bearing on deciding who diversifies, and benefits of RNFE growth accrues to what section of the society.

Linking the concepts

The following diagram attempts to show the linkages between the various concepts and analytical issues in the previous section.

Figure I



The discussions till now tell us that the relationship between livelihood diversification and poverty is a dynamic two-way process. Livelihood diversification can happen as a result of poverty through distress coping mechanism (which we discussed as push factor for diversification) or it can as well happen because of increasing economic growth leading to opportunities in the non farm sector. Similarly diversification can lead to increase in income, greater opportunities for the poor and reduced poverty if poor get equitable access to benefits emerging from the growth of non-farm sector or it can sustain or even deepen the levels of deprivation and poverty if poor are forced to diversify into unprofitable sectors under unfavourable conditions.

Conclusion

In this chapter I have taken a more detailed look at some of the key concepts (like diversification, poverty and agrarian transition) which are crucial in shaping our analysis. The discussion on diversification reveals the different levels of diversification (individual and community level), of different types (within a particular sector like agriculture or across different sectors) and caused by different motives (push or pull factors). In our analysis of rural livelihoods in AP I would be looking at diversification as increased engagement in the RNFE sector. Similarly with in the concept of poverty I looked at the different dimensions of poverty, their meaning and measurements. Within the limited scope of this study I shall be focusing on the relatively narrow version of poverty that of the poverty line approach which is the most commonly used measure at macro level and has greater availability of statistics on standard national or regional surveys. Similarly the most important measures of the agrarian transition process in the context of influence on livelihood diversification process seem to be the changes in landholding pattern and agriculture production processes. In the next chapter I shall look at the context within which the livelihood diversification process in the state of AP is happening.

Chapter IV – Context of diversification in Andhra Pradesh

This chapter would introduce the context in which the policy discussion on livelihoods diversification is happening generally in India and specifically in Andhra Pradesh. The first section would cover the experiences from other countries in the Asia, which had a very large bearing on the perception of non-farm activities in India at policy making level. The second section looks at the macro national level trends in India and the growth of non-farm sector in rural India. This is followed by an introduction of Andhra Pradesh, its geographical diversity, demographic indicators and broad economic trends. The next section takes a more in-depth look at economic trends in rural areas, the dynamics in the agriculture sector, and factors driving this, followed by discussion on rural transformation currently undergoing in Andhra Pradesh, in terms of sources and means of income generation especially trends of livelihoods diversification into rural non-farm sources. This chapter ends with a summary of the context in which the diversification of livelihoods is happening in Andhra Pradesh.

Evidences and learning from regional level (other Asian experiences)

The macro view of livelihood diversification in rural areas of India (especially the growth of rural non-farm employment) is heavily influenced by the regional experience especially of China and some other South East Asian economies (Nayyar and Sharma, 2005). The main reason for this being that the rapid growth of non-farm sector in rural areas preceded that in India by at least two to three decades and the socio-economic conditions in these countries were similar to India prior to that period. The Vision 2020 document also makes frequent references to the success model of the East-Asian economies and poverty reduction in China. Hence discussion of the national picture won't be appropriate without first having a brief discussion of the experiences and learning from livelihood diversification and RNFE in the regional level.

Many researchers consider that the growth of RNFE sector played a significant role in the spectacular growth and poverty reduction in South East Asia and China (Saith 1992, Kabra 2005). The role of Township and Village Enterprises (TVE) in China is of particular interest to India as at the time of the revolution in China, both countries

had approximately similar economic conditions and poverty levels. In China the rural industrialisation process was started in a planned manner with mainly agri-centered enterprises (in the form of forward and backward linkages) known as the commune and brigade (C&B) enterprises but their contribution to rural employment was insignificant. Reforms in the rural industries sector were initiated in 1978, by breaking down communes and handing them over to the local government as TVEs (township and village enterprises), moving away from agri-centered enterprises to more diversified non-farm enterprises. This coincided with decentralisation of governance with wider decision making, financial and administrative powers to local governments. The local governments were empowered to keep certain levels of the surplus generated in the TVEs to meet developmental costs at their own discretion (Kabra 2005). This resulted in phenomenal growth and surplus generation in the TVEs with contribution to the rural poverty reduction. Similar success stories of success of livelihood diversification in rural areas (though not at an as spectacular level) were repeated across East Asia. This convinced many researchers and planners in India with some degree of justification that this is the way forward in meeting the challenge of rural poverty (Rao, 1999, Kabra 2005). It should be noted here that significant reforms in terms of resource redistribution preceded the state's effort in pushing rural industrialisation in almost all successful states (China, Japan, Korea), and the state played a crucial role in planning, and facilitating the access of the poor to the non-farm sector (Saith 1992). This crucial factor was missing or undertaken in a half-hearted manner in India's path of diversification into rural industrialisation or rural non-farm economy (Breman 2000), which makes the access to the opportunities provided by the non-farm sector quite limited to poor people.

Macro- picture of rural transformation at national level

India is a predominantly rural country with 72%⁵ of its population living in rural areas as per the 2001 census. Rural economy is heavily dependent on agriculture and thus makes a significant contribution to the national economy. The relatively stable contribution of agriculture sector to the national GDP and as a source of employment is exemplified by the statement in the planning commission document cited earlier. But that unique position of agriculture has changed since the 70's. There are two

⁵ Census of India, main page <http://www.censusindia.net/results/>

trends consistently, that of reduced significance of agriculture in terms of income contribution and increasing employment in RNFE sector even when there is no explicit policy or planned significant intervention at the national level promoting it (Chaddha, 2003).

Over the years, while the share of agriculture in GDP has been continuously on the decline (about 25% in 2004 compared to 40% in 1983 as per the NSS survey) its importance as a source of employment for the rural people does not seem to have diminished as much (percentage of people depending on agriculture as a primary source for their livelihoods seems to have gone down from 63% to 58% in two decades) (Nayyar & Sharma 2005). This implies a lower growth of labour productivity in agriculture, which is linked with chronic rural poverty and cited as an explanatory factor for rural poverty. The rural economy has demonstrated increasing diversification process, with nearly 23% household reporting non-farm sources as their primary source of livelihood in 2004 compared to 16.6% in 1977-78 in National sample survey (Nayyar & Sharma 2005). This trend has led to a greater emphasis on the non-farm sources of income and livelihood diversification in rural areas in rural development policy making. In the post independence period, the agriculture policies can be said to have two phases the first phase (from independence up to mid sixties) where focus was on land reforms, and increasing cultivable land through irrigation projects and land development and the second phase from mid sixties onwards where the focus was on green revolution technologies (hybrid seeds, intensification of agriculture in terms of capitals and inputs) (Gill et al 2004). Some of the impact of this phase of agriculture growth in India has been the development of capitalist agriculture economy, increasing mechanisation, a trend in depeasantisation and move in to labour or non-farm market of earlier peasant farmers in large numbers (Breman 2000). This has importance implications for the discussions on the growth of rural non-farm economy in India.

A National Council of Applied Economic Research (NCAER) survey (Nayyar and Sharma 2005) revealed that Non-farm activities accounted for about one third of the income of the rural households based on data collected in 1993-94. Some researchers cite statistics from the national sample survey to point out that the growth of rural economy has been slow but has been witnessing increasing diversification. The cause

of this shift is both growth led (opportunity driven) as well as distress driven – poverty induced diversification (Davis, 2003). The structural changes in the Indian economy are visible in a slow transfer of labour away from agricultural towards non-agricultural sectors and from rural to urban areas.

During this transformation, the spectacular success of the non-farm sector in neighbouring china and elsewhere in East Asia, has made policy makers convinced of many real and perceived benefits of the diversification into non-farm (Chaddha 2003), such as

- Creation of employment opportunities in rural areas using the slack labour and utilise local talent
- Being more labour intensive, it will produce greater employment rates per capital employment and hence greater social welfare
- Contain the large-scale urban migration of rural job seekers which would lessen the burden of urban slums and related socio economic problems.
- Bridge the urban-rural income and quality of life divide

Some researchers also believe that there are other covert or un-stated benefits anticipated by growth of RNFE by the macro planning process (Saith 1992)

- Labour and local-resource intensive rural enterprises fit well with the discourse of comparative advantage, hence easy to convince donors to support these programs
- To take the attention away from the failure of ill managed rural-development programs to deliver benefits to rural poor
- Serve as an alternative to any deep rooted land reforms demand

RNFE growth enthusiasts claim a real dent in rural poverty can come about only where a range of rural non-farm employment options are available (Chaddha 2003), other authors have found a linkage between growth of RNFE and poverty reduction (Ravallion and Datt 1998) though the effectiveness of this process varies widely across different regions and states. A number of authors have doubted the assumption of an automatic linkage between the process of diversification and poverty reduction. In fact the macro statistic of the 90's shows a shrinking of employment in rural economy (Unni and Rani, 2005). The rural per capita income as a proportion of urban per capita income improved in favour of the rural areas in the decade till 1980-81, but deteriorated thereafter in the 80's and 90's (Data from Central Statistical Organisation

(CSO) cited in Unni and Rani, 2005) accompanied by a gradual casualisation of rural workforce. Some researchers have raised concern on access issues to opportunities from diversification for the poor (Lanjouw and Shariff, 2004). Analysis of level of diversification into non-farm activities according to wealth status suggest that there is a inverse U shape relationship, with the relatively rich focussing on their niche or specialised occupation (usually agriculture) and the very poor not getting opportunities for diversifying and forced to depend on manual labour (Start 2001). Opportunities in service sector are heavily moderated by education levels and offers relatively few real opportunity to women and this trend is uniform across the different regions and state (Lanjouw and Shariff, 2004; Unni and Rani 2005). A similar but weaker pattern emerges in terms of employment opportunities for people for the socially marginalised groups like scheduled caste and scheduled tribe (Thorat, 2005).

After looking at this broad macro level trends and the context in which diversification process is going on, in the next section we shall take a more detailed look at the province of Andhra Pradesh. Before moving on to the analysis of diversification pattern, a brief review of the context at the state level is provided.

Andhra Pradesh – a profile

Andhra Pradesh is a province in the southern part of India bordered by the Bay of Bengal in the east, the province of Orissa on the North, Provinces of Chhatisgarh and Karnataka in the West and the province of Tamil Nadu in the South. It has an area of 275,000 sq KM and a population of 75.7 million⁶ roughly 8% of India's population. Three quarters of its population live in rural areas. Agriculture contributes about one third of its GDP. Administratively it is divided in to 23 districts which are further subdivided into Manadals. Each of the mandals covers an area of 20 to 30 villages.

The state can be broadly divided into three regions, with distinctive historical, political, socio-cultural and agro-ecological features. These are Telengana, Rayalseema and Coastal Andhra. They even display distinct patter of livelihood evolution and diversification (Anderson and Deshingkar, 2005). Telengana is a semi-arid region with relatively poor infrastructure development. Rayalseema has some of the harshest environmental conditions with scanty rainfall (700 mm per year on

⁶ <http://www.censusindia.net/profiles/apd.html> accessed on 5 Nov 2005

average) with only 38% of the total area under cultivation. It's a draught-prone region with low population density and relatively high poverty levels. Coastal Andhra includes the delta areas of major rivers flowing through AP, the most prosperous part of the state. The land is irrigated and resembles all other green revolution regions of India (like Punjab, western UP, etc.). Agriculture is based on intensive cultivation of paddy and sugarcane on canal irrigated fields and draws large numbers of seasonal migrant labour.

Rural transformation of Andhra Pradesh

Andhra Pradesh is a predominantly rural society with about three quarters of its population living in rural areas⁷ and about 70% of its total population making their living primarily from agriculture which contributes to a third of the Gross State Domestic Product (GoAP, 1999). But the last three decades have seen a transformation in the village life in Andhra Pradesh driven by the rapid changes occurring in the agriculture sector (Venkateswaralu, 2003). There has been an expansion in the non-farm sector in the rural areas and also an increase in rural to urban migration in this period (Fisher and Mahajan, 1997).

Another notable feature of AP has been its adoption of very liberal market oriented reform process and an governance reforms geared up to adopt all the 'best practices' of liberal economic models. In 1999, the state government was the first among all Indian states to undertake a long term planning exercise titled 'Vision 2020: Towards a golden Andhra', Strategies for future growth and poverty reduction. This process of documenting the strategic vision was assisted by the DfID's good governance programme. The state government invited global management consulting giants Mceansey & Co to facilitate the drafting the vision document.

The text of the document makes it clear that the state's outlook of agriculture sector is moderated by the classical modernisation approach. It assumes that there is a surplus labour being engaged in agriculture, leading to lower productivity and as the state makes natural transition towards modernisation, this surplus labour need to move from agriculture sector to non-agricultural industries either in rural or urban areas. In its chapter on the agriculture sector titled 'Revitalising Agriculture', while looking at

overall growth in productivity in agriculture, the Vision document notes; 'However, agriculture's share of employment will actually reduce, from the current 70 per cent to 40-45 per cent, in line with a shift in Andhra Pradesh's economy. As economies grow, the focus of economic activity shifts from primary activities to those that lead to greater value-addition. As Andhra Pradesh's economy develops, it will follow the same pattern, shifting from a predominantly agrarian to an industry- and services-led economy. As a result, more and more jobs will be created in industry and services as compared to agriculture. This process will be complemented by a shift of surplus labour from agriculture to other sectors' (GoAP, 1999: 168).

Supporting the state's vision on rural transformation, major development support agencies have not only assisted in formulation of this vision document, but also have planned interventions in the state which operates in tandem with this vision and the SRL framework to promote livelihood diversification in the rural areas. The World Bank supported 'Velugu' project implemented by the state created agency 'Society for elimination of Rural Poverty' and the 'Andhra Pradesh Rural Livelihood Projects' jointly supported by the GoAP and the DfID, Government of UK are two major examples of such interventions.

Transformation in agriculture –

Agriculture is such a vital source of livelihood for the rural population of AP that the vision documents terms it as the 'lifeline' of Andhra Pradesh (GoAP, 1999: 168). Andhra Pradesh has been one of the states in the forefront of India's much famed green revolution in agriculture, especially in the second phase of green revolution technology breakthrough in terms of hybrid rice crops (in the mid 70s). Consequently the agricultural output growth rate recorded a higher growth rate (3.47% per annum during 1980-83 compared to 2.21% per annum during 1962-65 to 1980-83) but with considerable spatial unevenness in the level and rate of development (Gill & Ghuman 2001). With green revolution came the increasingly capitalist investment pattern in agriculture characterized by High Capital Investment (in the form of modern productive implements and machinery), pre dominance of hired labour and high market orientation in the form of input acquisition and output disposal (Patnaik 1988).

⁷ Data available on the webpage of 'Health Education to Villages' <http://hetv.org/india/population-2001.htm>, quoting from Census of India 2001

We can verify the trend of increasing capitalist agricultural practices in Andhra Pradesh in the following sections:

Change in use of productive implements and machinery: The following table provides the trend of increase in most commonly used machinery in agriculture like number of tractors and pump sets in the state of Andhra Pradesh during the decades from the 60's to the 90's.

Table 1: Change in use of productive implements and machinery in AP

Criteria	Period	1962-65	1970-73	1980-83	1990-93
Number of tractors ('000)	In numbers	2922	5690	21450	32600
	Annual growth rate	-	9%	28%	5%
Number of Pump sets ('000)	In numbers	106	262	688	1046
	Annual growth rate	-	15%	16%	5%

[Compiled from Gill and Ghuman 2001, sourcing from Bhalla and Singh, 2001, "Indian Agriculture: Four Decades of Development"]

It can be observed that there is a sharp increase in the machinery in agriculture in the state during the period 1970-73 to 1980-83 compared to the previous decade both in terms of absolute numbers and growth rate per annum. In the subsequent decade although the numbers increase in totality but the growth rate per annum has dropped down.

Use of hired labour and share of market purchased inputs:

In their state-wise analysis of changing agrarian relations in India, Gill and Ghuman (2001) put Andhra Pradesh with a group of six states where there is predominantly hired labour use and share of market purchased inputs.

The following table shows the per hectare share of hired labour in Total human labour and the share of casual labour (on daily wages basis) in total hired labour in the two major crops of Andhra Pradesh.

Table 2: Used of Hired Labour in Agriculture in AP

Crop	Criterion	1971 – 74	1981-84	1994-97
Paddy	Share of hired labour	77%	82%	68%
	Share of casual labour in total hired labour	85%	93%	92%
Jowar	Share of hired labour	60%	66%	50%
	Share of casual labour in total hired labour	76%	85%	86%
Cotton	Share of hired labour	86%	74%	62%
	Share of casual labour in total hired labour	84%	91%	88%

[Compiled from Gill and Ghuman 2001, sourcing from Ministry of Agriculture, GoI “Cost of cultivation of principal crops of India” 1990, 1996 and 2000]

It can be seen that Andhra Pradesh has been using more than 70% of hired labour since the 70's with a marked increase in the decade between 1971-74 and 1981-84, the decade when the green revolution technologies were adopted in large scale in the state. But the share of hired labour shows a downward trend in the 90s, even though it remains high. Hence the decade of 90s has seen a moderate reduction in hired labour. While during the same period there is an increasing trend in degree of casualisation of agriculture labourers from 1971-74 up to 1981-84 which remains steady over the next decade. It is worthwhile to examine what was the trend in share of agricultural labourer in the rural work force in such a situation. The following table provides the share of agricultural labourer in the total main rural workers as per the census data for three decades for the state and the corresponding figure for the country as a whole.

Table 3: Share of agricultural labourer in workforce AP and all India

Year	1971	1981	1991
Andhra Pradesh	42.25%	42.01%	47.51%
All India	30.71%	29.88%	31.64%

[Compiled from Gill and Ghuman 2001, sourced from Primary Census Abstract, 1971, 1981 and 1991]

The table shows that whereas the share of agricultural labour in the total rural workforce is relatively higher in the state to the overall country statistics, and whereas the proportion remains stable over the period in the country as a whole, it shows a rising trend in Andhra Pradesh.

But these two dataset together present a very bleak picture for the agricultural workers in the state. When the share of hired labour in the total agricultural labour force is reducing in the 90's there are more agricultural labourers entering into the market. This has created a situation of surplus supply over and above the demand which is one of the main causes for casualisation of labour and also responsible for very low agricultural wage rates in the state.

Table 4: Share of market purchased inputs in total operational cost of cultivation in Andhra Pradesh

Crop	1971 – 74	1981-84	1994-97
Paddy	70%	79%	77%
Jowar	43%	48%	52%
Cotton	88%	74%	73%

[Compiled from Gill and Ghuman 2001, sourcing from Ministry of Agriculture, GoI “Cost of cultivation of principal crops of India” 1990, 1996 and 2000]

Above 70% of the inputs in the agriculture is from purchased sources in most major crops, the proportion being highest at 77% in Paddy, which is the most important crop in the state. One can also see a trend of growth in the share of purchased inputs during the 70's (when the green revolution technology was at its peak in the state) except for in Cotton. It must be noted here that Cotton has always been grown as a cash crop in a capitalist mode of production in the state even before the green revolution technology and hence had very high levels of purchased inputs even in the earlier decades.

We can see that agriculture in Andhra Pradesh is becoming increasingly organized in the capitalist mode of production (higher capital accumulation, predominance of hired labour and market orientation and increasing yields per hectare through intensive cropping). In the following paragraphs we shall examine some of the consequences of this agrarian transformation taking shape in the state.

As a result of the transformation in the agriculture sector, the pattern of landholding shows a very peculiar trend in the state. Landholding in Andhra Pradesh, like many other states in India has been very unequal with high proportion of land concentrated with a very small group of people and a very large proportion of the population being either landless or owning very marginal amount of land (less than one hectare).

Table 5: Distribution of operational holdings and area by size (1970-71 and 1995-96)

Size	Number of holdings (%)		Area (%)	
	1970-71	1995-96	1970-71	1995-96
Marginal	46.0	59.4	8.0	20.2
Small	19.6	21.3	11.3	22.5
Medium	30.1	18.5	54.4	48.5
Large	4.3	0.8	26.3	8.9
Total	100	100	100	100

Note: Marginal (below 1 ha); Small (1.0 to 2.0 ha); Medium (2.0 to 10.0 ha); Large (above 10 ha)

[Compiled from Dev and Mahajan 2001, sourcing from Finance and Planning Department, GoAP, 2000, "Economic survey – 1999-2000"]

It can be observed that, in spite of the increasing amount of land in small and marginal holdings, the land distribution is still very unequal. The top 1% of the land owners control almost a tenth of the total land whereas almost 80% of landholding together cover about 40% of the area. Also, despite the increase in small farming, the situation of landlessness has remained critical in the state. The land reforms process undertaken in the early years of independence ensured that absolute landlessness reduced considerably in the 50's, but the number of nearly landless people remained the same.

Table 6: Share of Landless Households

No of household (%)	1953-54	1960-61	1970-71	1980-81	1990-91
Landless hh	26.53	6.84	6.95	11.93	11.86
Landless hh including near landless*	-	34.17	30.11	37.63	30.33

Note: * Nearly landless households include those having up to 0.2 Ha of land, for methodological details on the process of calculation on nearly landless households refer Venkateswaralu 2003 :46.

[Compiled from Venkateswaralu 2003 sourcing from NSS reports for 1953-54 report number 66, 8th round, 1960-61 report number 144 17th round, 1970-71 report number 215.1 26th round, 1981-82 report number 330 37th round, 1990-91 report number 399 48th round]

Landlessness was one of the most critical challenge facing the state as it emerged from the colonial period with ore than a quarter of the rural population having no access to land at all. It contributed to the disaffection of rural masses and was threatening breakdown the social order with a rural uprising, which forced the state to undertake land reforms measures. The land reforms measures undertaken in the decade of 50's at least partially contributed to the significant reduction in the proportion of landless people by 1960-61. But the nature of redistributive land reforms in the state have been termed half-hearted and an exercise to somehow contain the peasant / tenant uprising in the state rather than looking at real redistribution of the land assets (Venkateswaralu, 2003). Reduction in absolute landlessness was achieved by some dubious means as well, including (i) definitional change in regard to the ownership in the NSS surveys from 17th round (1960-61) onwards (Venkateswaralu, 2003 quoting Sanyal, 1976), (ii) distribution of waste or *banjar* lands by the government among the rural landless households (Venkateswaralu, 2003 quoting Bardhan,1970). But the share of landless people rises significantly again between the years 1970-71 and 1980-81, a period in which the green revolution technology took root in the state. Even at the beginning of the 90's the situation of landlessness remains significant with more than 11% of the rural households with out any land at all. If we take the figure of nearly landless households we can see that it remains around a third of the rural households throughout the four

decades. The state of landlessness remains a source of worry for major developmental projects. The project document of Velugu, a government of Andhra Pradesh implemented poverty alleviation programme reads 'Poverty and inequity in rural Andhra Pradesh are centrally linked to land ownership. Although land is the most important asset for a rural household, approximately 10% of rural households in Andhra Pradesh are absolutely landless and another 36% own less than ½ acre of land. Only 6% of rural households in Andhra Pradesh own more than 5 acres of land.' In recent years the agricultural in Andhra Pradesh has been in the news for the spate of farmers' suicides due to indebtedness. At least 300 cases of farmers' suicide have been reported in last 18 months (Pimbert and Wakeford, 2002).

In such a scenario the government policies on agriculture have been very growth oriented. AP was among the first states to allow experimental farming of BT cotton, the vision document of the state aims at making the state a hub for technologies like biotechnology and Genetically Modified crops. The following quotation from the chapter titled 'Dominance in Agro-Industry and Other Major Sectors' of the Vision 2020 document summarises the productivity-growth driven policies of the state on the agriculture sector.

"Today, achieving high productivity is difficult due to the small size of agricultural holdings. The small size of holdings has another disadvantage: it hinders the ability of farmers to raise resources and market their produce. To increase productivity, the State will need to find ways to help farmers increase the scale of farming operations. Farmers' co-operatives and contract farming would be two successful options."

(GoAP, 1999: 224)

What does the macro picture tell us?

In this chapter we have seen the influence on the national policies on RNFE of the success of the RNFE growth and poverty reduction process in neighbouring countries. However a vital feature that preceded the success stories of China and elsewhere has been the redistribution of assets especially land. That process was undertaken in a half hearted manner in India, and the results of land reforms process have been rather dismal. In this context, the growth of RNFE sector is also less likely to benefit as much towards poverty reduction.

In the context of Andhra Pradesh, we have seen that despite the land reform interventions of the 50's about a third of the population in rural AP remain either landless or nearly landless. The share of landless household actually rose significantly during the green revolution period. In the meanwhile sheer demographic pressures have ensured increasing proliferation of small and marginal landholding, a feature that the state policy tries to counter. The agriculture sector is increasingly adopting a capitalist mode of production and this process is actively facilitated by the state's policies. There has been an increase in the share of agricultural labourer in the rural workforce, accompanied by a slowdown in the labour absorption rate with in agriculture sector during the 80's. This has displaced a large number of people from the agriculture sector in to looking at income earning opportunities in the RNFE sector and has contributed to the growth of RNFE. In the next chapter we shall take a more detailed look at the RNFE sector, its contribution to incomes and poverty reduction in the state.

Chapter V – Livelihood diversification and poor in Andhra Pradesh

This chapter would look at the relationship between poverty and livelihood diversification in rural Andhra Pradesh. The chapter starts with a macro scenario and observations on non-farm economy and its accessibility to the poor in AP. Based on this some observations have been made on what factors seem to be driving the process of livelihood diversification in Andhra Pradesh. This is followed by an analysis of the influence of wealth status on patterns of livelihoods diversification in rural Andhra Pradesh and analysis of which wealth groups are more likely to diversify and into what type of activities is provided. In the next section a review of micro level case studies of the livelihood diversification and its impact on poverty is provided. Evidences from village studies are provided to support to inferences drawn from the macro analysis. The chapter ends with a summary of the findings.

A state level macro view of diversification processes and statistics

The NSS reports over the years reveal the trend of non-farm employment in the state. The following table shows the proportion of rural workers in total and also by gender employed in non-farm sector in Andhra Pradesh and at all India level.

Table 7: Percentage of Rural Non-farm Employment in AP

Year	Male		Female		All workers	
	AP	All India	AP	All India	AP	All India
1977-78	19.7	19.3	14.6	11.8	17.6	16.6
1983	25.6	22.4	18.7	12.2	22.8	18.4
1987-88	25.9	25.7	17.9	15.3	22.4	21.6
1993-94	24.4	26.0	16.3	13.9	20.7	21.7
1999-2000	25.6	28.7	15.7	14.6	21.2	23.8

[Source Dev and Mahajan 2003 compiling from NSS reports]

The figures show that the non-farm employment in the state has increased during the last two decades but at a slower rate than the rest of the country. There was a significant increase in proportion of rural workforce employed in non-farm sector from 17.6% to 22.8% between 1977-78 and 1983, but there after the growth of non-

farm sector has reached a plateau and in fact there has been a marginal drop in the proportion of non-farm employment up to 1993-94 and a very small increase since then, while this proportion has consistently increased at the all India level over the whole period. It should be noted that the significant increase in the non-farm employment in the state happened in the same period when there were significant changes in the agriculture sector (in terms of adoption of capitalistic mode of production) was happening and the proportion of landless people was increasing. Since the eighties these changes in the agriculture sector has slowed down and so has the proportion of people employed in the non-farm sector. There is a significant gender differential in the proportion of workers employed in the non-farm sector. Men seem to have got absorbed in the non-farm sector much better than the women workers. This trend has also been observed by Unni and Rani (2005) at all India level and by Merchala (2004) at the state level. The reason for becomes clear when one looks at the employment growth trend in different industries in rural Andhra Pradesh.

Table 8: Distribution of Workers by Industry at One-Digit Level: Males and Females for Rural AP

Sector	Rural Males		Rural Females	
	1993-94	1999-2000	1993-94	1999-2000
Agriculture and allied	75.6	74.4	83.7	84.3
Mining and quarrying	0.9	0.9	0.5	0.7
Manufacturing	6.5	5.3	7.4	6.0
Electricity, water, etc	0.1	0.1	0.0	0.0
Construction	2.6	3.4	0.6	0.8
Trade, hotel and restaurant	5.4	5.8	3.4	3.0
Transport, etc	1.9	3.0	0.0	0.1
Real estate business activities, etc	0.4	0.4	0.1	0.0
Services(public adm, Comm, etc)	6.7	6.7	4.2	5.1
Total	100.0	100.0	100.0	100.0

[Source Dev and Mahajan 2003 compiling from NSS reports]

The male workers benefited from employment in rural non-farm sectors in industries such as construction, trade and transport, where as the only industries where the female workers reported an increase only in the services (public administration ad

communication) industries. The most probable reason for this differential employment capacity lies in mobility. The sectors like transport, construction, trade (hotel and restaurant) involves commuting to nearby urban areas for employment and female workers were most likely to face greater constraint in traveling (owing to their reproductive work responsibilities) seek employment with in the villages. The massive recruitment of female health workers (Ante-natal counselors) and pre-school teachers (Anganwadi workers) in the most prominent governmental development interventions during this period contributes largely to the increased services for women (Mecharla, 2002). The manufacturing sector showed a decline in worker absorption capacity both for male as well as female workers.

Evidences from village level micro studies

In this section we shall look at two micro village level studies and check if evidences from such studies support the broad state level trends emerging from more statistical surveys.

There have been a number of village studies looking at the role of non-farm sources in household incomes in Andhra Pradesh. One of the largest studies of this nature was carried by Anderson and Deshingkar as a part of the ODI livelihoods options study. This study covered a sample of six villages (two villages from each of the different regions of AP, one relatively larger more centrally located village and another smaller remote village from each region). Some of the trends emerging from their detailed village studies:

- Degree of diversification is relatively low at the household level in the state compared to other studies of similar nature in other regions and countries.
- Factors influencing degree of diversification seem to be a combination of both growth linkage explanation and distress diversification explanation:
 - Differing opportunities for diversification (proxied by diversity of the local economy), Households in villages nearer to urban centres or in irrigated regions seem to have higher degree of diversification.
 - Differing demand for diversification as a form of insurance (proxied by average income levels) with poorer households showing a higher degree of diversification.

- Comparison of households with similar asset levels but differing degree of diversification reveals that diversification at household level has a marginal adverse effect on individual income, i.e. the hypothesis that diversification reduces income and households diversify to increase a level of insurance in the short-term.
- In terms of income effects, their findings suggest that it is not the degree of diversification but rather the type of activity undertaken that is more crucial.

Their study acknowledges that there are entry barriers into higher-return activities, and identifies understanding the nature of specific barriers which households face in accessing higher-return activities as an important task for future research.

The second village level study (Rao and Reddy, 2002) covers two villages of Warangal district of Telengana region. The two villages were selected on a purposive basis, based on availability of historical data from previous studies. The first village, Ravirala is small with 350 households, relatively remote with the nearest large town (district headquarter) 80 kms away. It had more than 50% irrigated land, with rice as a major crop and dry season agriculture not significant. There was dominance of small farm cultivation. The second village, Kondur was relatively large and nearer to city (40 KMs), fairly large portion of the land irrigated from tank irrigation and electric pumps. Paddy was the major crop, but dry season cultivation of cotton also equally important. Some of the salient features of their findings are presented below:

- Reduction in caste based non-farm occupation (weaving, pottery etc.) compared to earlier studies in the same villages. This supports the hypothesis that many of the traditional non-farm activities get competed away by urban industrial products and markets.
- There is growth of new types of non-farm activities, mainly in services sector (transport works, welding and mechanical services, private schools etc.). Trend in non-farm employment towards casualisation and reduction of self employment.
- Majority of non-farm activity undertaken in combination with agriculture, suggesting inability of any single activity to provide a sustainable livelihood

- Significant increase in migration to urban areas (especially among the younger generation) and a preference for urban living and aversion to agriculture amongst the educated youth.
- Female employment in non-farm activities is meagre and account for less than 10 percent

These studies reveal the significance of structural factors in influencing diversification process and distress diversification being a significant factor in diversification among the poor households. The importance of the influences of the local context in terms of activities of diversification is brought about. It is revealed that the type of activity (traditional versus modern or low versus higher earning activities) is much more important than the degree of diversification. Evidences also suggest existence of entry barriers for poor and women into opportunities in non-farm sectors.

Diversification with income quintiles

The Following table shows the relative importance of non-farm sources as a share of household incomes in different income quintiles

Table 9: Non-Farm Income Share in Rural AP by Income Quintiles

Quintile	Cultivation	Agriculture Wage Labour	Non-farm Wage labour	Non-farm self-empl.	Non-farm regular empl.	Total non-farm sources	Other sources	Real per capita income
Q1*	16.7	43	8.9	24.3	5.1	38.2	2.1	1397
Q2	24.9	38.6	7.4	20.7	7.3	35.4	1.1	2449
Q3	33.3	33.8	8.2	15.1	6.4	29.8	3.2	3503
Q4	53.2	24.2	7	6.2	8.6	21.8	0.8	5141
Q5	73.1	7.8	1.9	3.8	12.8	18.5	0.6	12709
Total	55.7	19.7	4.7	8.6	10.1	23.4	1.1	5046

Note: * Quintiles arranged in terms increasing real per capita household income i.e. Q1 is the lowest income quintile whereas Q5 is the highest income quintile.

[Source: NCAER Survey 1993-94 compiled from Lanjouw and Shariff 2004]

The table shows a very high degree of income inequality in the rural Andhra Pradesh with the average household income of the highest quintile being almost ten-times that of the poorest quintile, and more than double of the average household income in the fourth quintile and of the average household income of the state. It shows that 80% of the rural household have income of less than half of household income of the top 20%. It should be noted that the households in the highest quintile earn almost three quarters of their income from cultivation. It indicates that land remains the most crucial asset and source of income and landholding is very unequal in rural AP (as can be seen in data from Table no 9).

The table shows that in AP the dependency of the poor households on non-farm sources is higher than the richer households as one would expect because of lower access to income from cultivation for these households. The same trend is also seen in the agriculture wage labour column. Those households which are either landless or have only marginal amount of land which can not earn them a sustainable livelihood from cultivation are more likely to seek non-farm sources of income.

It would be interesting to compare these figures with a state like West Bengal where there is greater equality in terms of access to land because of the relatively successful land reforms process undertaken there under the operation Barga. The following table shows the result of the same survey for West Bengal

Table 10: Non-Farm Income Share in Rural West Bengal by Income Quintiles

Quintile	Cultivation	Agriculture Wage Labour	Non-farm Wage labour	Non-farm self-empl.	Non-farm regular empl.	Total non-farm sources	Other sources	Real per capita income
Q1*	36.3	27.4	10.2	8	17.7	35.9	0.4	1124
Q2	36.5	27.2	9.9	16.1	8.8	34.9	1.4	1858
Q3	33.6	19.3	6.6	29.7	10.3	46.6	0.5	2471
Q4	40.2	10	4.3	30.9	13.4	48.5	1.2	3534
Q5	36.1	4	1.3	27.6	28.9	57.8	2	6788
Total	36.7	12.2	4.4	25.9	19.4	49.7	1.4	3158

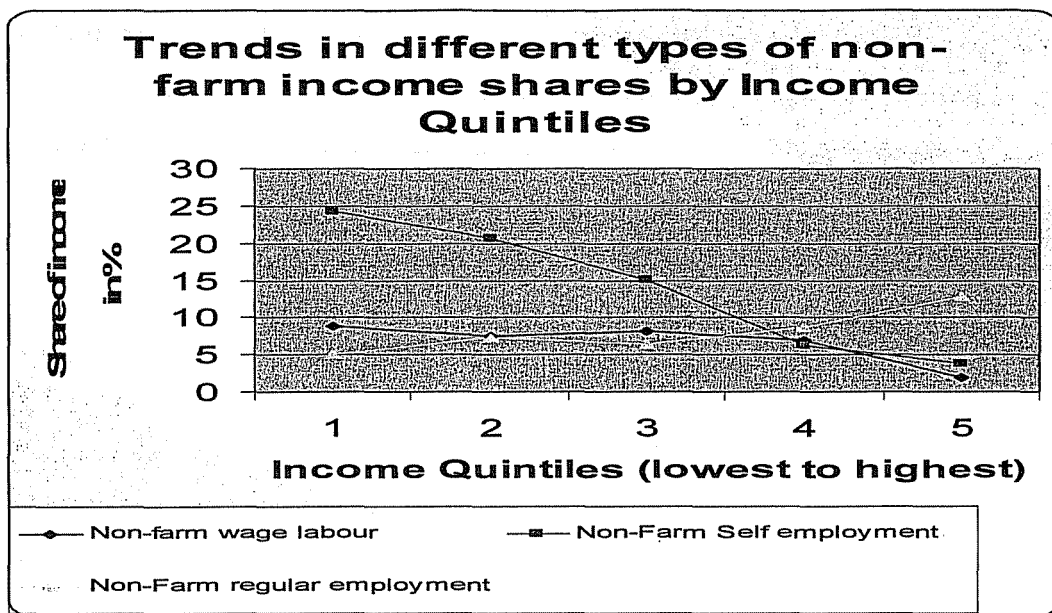
Note: * Quintiles arranged in terms increasing real per capita household income i.e. Q1 is the lowest income quintile whereas Q5 is the highest income quintile.

[Source: NCAER Survey 1993-94 compiled from Lanjouw and Shariff 2004]

The household in the lowest quintile in West Bengal earn 36% of the incomes on an average from non-farm sources, which is comparable to the figure of Andhra Pradesh, but the households in the highest quintile earn almost 58% of their income from non-farm sources which shows a completely different trend for the role of non-farm income in the total household income. One can not attribute the entire difference in trend of the RNFE incomes to the single factor of land distribution, but it is safe to assume that land distribution has played at least some role in it. Greater access to land has meant that even the lowest quintile household can earn slightly more than a third of their income from cultivation.

Another interesting aspect of the non-farm income sources in the household incomes of the rural households in Andhra Pradesh is the nature of non-farm activity pursued by households in the different quintiles. Among the different sources of non-farm incomes, it is the regular employment which is associated with poverty reducing effects. The literature on non – farm earning show that the casual wage employment in non-farm sector as well as the petty business (which tend to be one person individual enterprise).

Figure II – Type of diversification undertaken by income quintiles



[Source: Data for the graph is based on Table 9]

It is clear that the households in the lower quintiles depend much higher on the more riskier and low paying type of activities (like casual wage employment and petty business) and have very little access to more regular non-farm employment which can potentially have a poverty reducing effect. In contrast the highest quintile household have virtually no high risk income source, and almost all of their non-farm income comes from regular employment.

Some of these trends are also confirmed by the study of inter district variation of RNFE taken up on the basis of the 1991 census data by Mecharla. His objective was to generate a list of contributory factors to RNFE, looking at the both the growth linkage and distress diversification arguments, and check the significance of these factors by regression analysis. His findings provide a mixed result supporting neither of the arguments fully, some of the salient points in his findings are

- A negative relationship between farm size and RNFE (supports the findings of the NCAER survey) indicating that the poor are more likely to diversify whereas the rich specialise.
- Level of irrigation at the district level seems to have a positive impact on RNFE, which at the first glance seem to support the growth linkage theory.

With irrigation, there is surplus generated in agriculture which is now being invested to create RNFE opportunities.

- Females have a lower mean RNFE share than men – supporting the earlier finding from the NSS survey data by Mahajan and Dev (2004). Factors that influence female adoption of RNFE are quite different from the factors that explain the male adoption of RNFE. Key factor mobility and limited opportunity within the non-farm sector.
- Traditional RNFEs (into petty trade or casual labour) increase for those with little or no land supporting distress diversification argument.

Examination of the influence of wealth status on the pattern of livelihood diversification in the state reveals that diversification is more suited for moderately rich or medium wealth status – it has an inverse U shape (Farrington et al 2005). So poor as well as very rich do not seem to adopt diversification in the same degree as middle class, though for very different reasons. Whereas the poor are eager to diversify into any viable alternative to make a survival, they face entry barriers in having access to non-farm activities with a reasonably good return. Hence their diversification into low return non-farm activities does not amount proportionately in terms of overall contribution to the household income. But in the case of the rich, it is usually the case that they have much specialised sources of livelihoods, which tend to be more productive and profitable than the other alternatives, and hence there is no desire to diversify.

Conclusion

The examination of NSS data suggests that the growth of RNFE employment occurred during the decade of 70's up to the late 80's and since then there has been stagnation in the RNFE sector as a source of employment to rural workforce. There has been emergence of new types of activities within the RNFE sectors (compared to the traditional non agricultural activities) like growth of transport sector, trade, hotel and restaurants and growth in services sector. Men seem to enjoy greater employment opportunities from the growth of the RNFE sector compared to women. A review of micro-village studies has also confirmed these broad trends. In addition the village studies suggest a high degree of distress diversification and existence of entry barriers

to higher income activity with in the RNFE sector. Examination of income earned from non-farm sources by income quintile revealed that poorer households are more likely to diversify compared to the rich who seem to focus on cultivation. This pattern reveals that access to land remains the most important asset in rural AP in determining the income levels of the rural households and also their diversification patterns. The analysis of type of diversification activities show that even though the poor diversify more, they tend to do so into more vulnerable and less income earning activities (like petty trade, casual labour etc.) and face less than proportionate chance to get into regular employment in non-farm sector.

Chapter VI – Concluding remarks

This paper started with a broad aim of understanding the complex relationship between the process of livelihood diversification and poverty. The state of Andhra Pradesh in India was chosen as the geographical scope for the study because of the significance attached to the livelihood diversification process as a way out of poverty for rural poor in the state's vision for future. In the process of the research it was expected to understand the driving forces behind the diversification process of livelihoods in rural areas, the determinants and benefits accruing to the poor from it. Time and resource constraints limited the scope of the study and ruled out primary data collection. Reliance on secondary literature has moved the study towards a state level macro trend analysis. It was not possible to obtain more qualitative information on processes and dynamics at household levels and how the poor cope with the diversification from secondary literature review. The scope of diversification looked at was limited to the rural non-farm sector, similarly the notion of poverty was limited to the dimension of income poverty as measured by the state using the poverty line approach. The study relied greatly on analysis of data from the national sample survey reports, census figures and other national or regional level survey carried out by different agencies and presented in earlier academic and research papers. In the following paragraphs I would try to provide answers to the research questions asked based on the understanding derived out of the study.

The main research questions raised was 'Does the process of diversification of livelihoods, facilitated by the state and major developmental interventions provide a way out of poverty, to the rural poor in the state of Andhra Pradesh in India?'

Diversification into the RNFE sector does play a critical role in employment and income generation for the poor households in Andhra Pradesh. The analysis of rural transformation in AP revealed the changes in the agriculture sector driving a large number of rural work-force (including agricultural labourers as well as small and marginal farmers) out of the agricultural work. Increasing proliferation of marginal landholding also means that it is becoming impossible for increasing cultivator households to generate a sustainable income from reliance on agriculture. In such a scenario, the RNFE sector provides the crucial gap filling role to enable the rural poor to make a living and defy the forces de-agrarianisation. But while benefiting the poor

in this manner, this very process makes them more deeply embedded to the structural processes which are the causes of poverty in the first place.

The state and major development agencies use the diversification process into RNFE sector at the state policy level to be seen as a way out of poverty. This role for the diversification process in AP seems out of place. The study shows that the nature of poverty is deeply rooted in structural causes like unequal distribution of critical resources like land to the extent that a third of the population is either absolutely or nearly landless. Similarly the structural factors like agrarian transition, industrialisation and urbanisation processes play a significant role in the growth of the RNFE sector, if not being solely responsible for it. But the state's policies on poverty reduction strategies do not reflect an analysis of such structural factors or in fact is in denial of the significance of these structural causes. Hence the facilitation of RNFE growth by the developmental actors seem to be a stop gap arrangement in making survival mechanism made available to poor rather than improving their structural position in the society.

The sub-questions examined in the study with the findings are presented in the following paragraph.

- What factors drive the process of diversification in rural Andhra Pradesh?

The study shows that a combination of both growth as well as distress factors drives the process of diversification in rural Andhra Pradesh. On one hand there is emergence on new sectors in rural areas (like transport, trade, hotel and restaurants, increasing opportunities in services sector), increased linkages with urban markets which makes new opportunities available for diversification. Supporting evidences for this was found with higher degree of diversification in better irrigated districts (Mecharla 2002) at the macro level and corroborated in village studies where villages closer to urban centre and in irrigated regions saw higher degree of diversification (Anderson and Deshingkar, 2005).

But another significant driving factor is displacement from agriculture sector and inability to earn a living through reliance on agriculture. This is especially true in less developed regions of the state and also the process of diversification among the lower income category of households. Evidences of this were seen in the

NCAER survey (Lanjouw and Shariff, 2004) and analysis of income quintiles data and corroborate by village studies (Rao and Reddy 2002, Anderson and Deshingkar 2005).

But the most crucial linkage between both these actors is the structural causes of increased capitalist production mechanism in agriculture which is making available new growth opportunities at the same time creating distress conditions for the poor to diversify.

- Do poor people get equitable access to diversification opportunities or there is a differentiation in the pattern of diversification of livelihoods undertaken by the rich and poor?

There are clear evidences to show that although they are more likely to diversify in to RNFE, the poor do not have equitable access to the opportunities for diversification. The analysis of the nature of RNFE activities undertaken by different income quintiles in Andhra Pradesh reveals that poor diversify under extremely unfavourable conditions into low return activities and the high return opportunities are relatively out of bound for them by entry barriers like skill sets and education requirements. In fact many researchers believe that the growth of RNFE itself is a part of the class differentiation process. Even analysis of the agency oriented approaches reveal that there is a threshold in the relationship that transform assets into outcomes or wellbeing (as visualised by the SRL framework) mean that household which accumulate higher stocks of assets are sometimes able to generate much higher marginal returns than households that accumulate lower stocks of assets. So the overall wealth status of a household disproportionately influences the degree of success of its diversification efforts (Ellis and Freeman 2005). Thus the rich tend to avail diversification opportunities in high return activities, with relatively stable operations (as demonstrated in Figure II) in the analysis.

- What is the impact of diversification on income poverty?

Based on the evidences available from this study it is difficult to make an assessment of the impact of the diversification into RNFE sector on income poverty levels in the state. Clear and consistent relations between income and

diversification could not be established in this study. The literature review showed that diversification process can have different impact on income levels depending on context specific processes and initial conditions. Whereas many evidences of increased incomes fro RNFE were seen at macro level, some village studies showed a negative relationship between the degree of diversification and individual household income (Anderson and Deshingkar 2005). Similarly at a global level while the process was very useful in reducing poverty levels in rural China and other East-Asian economies, its efficacy in poverty reduction in India has been much worse.

- Greater clarity on this issue can be explored by further research, especially focussing at household level impact of diversification process.
- Qualitative case-studies on the effects of process of diversification on factors like exclusion, gender disparities.

The evidences of this studies suggest that the aims aspired in the vision document of finding a way out of rural poverty in Andhra Pradesh through promotion of diversification into RNFE sector would remain unfulfilled unless structural causes for rural poverty (like inequitable resource distribution) is addressed. Thus the diversification of livelihoods happening in the state currently is more of a forced choice for the rural poor rather than being an opportunity for a 'promised golden future' as the government would like them to believe.

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