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SOURCES OF INCOME FOR FARM HOUSEHOLDS IN ANDHRA PRADESH

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ABSTRACT

The paper had examined the various sources of income to the farm households using primary data collected from 240 farm households in Andhra Pradesh. The results revealed that apart from agriculture which is dominant source of income for farm households, non-farm income also an important source of income for all the three income groups. The non-farm income is more important for the households who have less farm size. The low -income households then diversify their income generation through low-paid, low-return non-farm activities. Institutional source of income was one of the major sources of income to LIG households.

KEYWORDS: Farm income, non-farm income, institutional source of income.

INTRODUCTION

The average total monthly income of farm household in India during 2018-19 was ₹ 10,829 per month, up from ₹ 6,426 a month in 2012-2013. This represents a nominal income growth of about 60 per cent over six years. Out of the total income, the share of farm income was 49.7 per cent which constitutes ₹ 3,798 from crop and ₹ 1,582 from livestock. For the average agricultural household, the largest single-source of income was wages/salary (₹ 4,063). (NSSO report, 2019). If agriculture was the sole income source to the land constrained households, they would remain poor (Chand *et al.,* 2011). To reduce the rural poverty and to increase the farm income many studies inferred to diversify the rural economy towards non-farm activities (Adams and He, 1995; Adams, 2001; Reardon *et al.,* 1998 and 2007; Barrett *et al.,* 2001; Lanjouw and Shariff 2002; Janvry *et al.,* 2005). Non-farm activities enable the farmers to cope up with the shocks of crop failure and enhances their capacity to invest in productivity. The non-farm sector and labour market can serve as the potential entry points for small landholders to enhance their income levels (Birthal *et al*., 2014). In this paper, we have examined farm households' access to different income sources in Andhra Pradesh.

MATERIAL AND METHODS

Sample Selection

Multistage sampling technique was followed for selection of suitable sample for the present study. In the first stage, the three regions of Andhra Pradesh state viz., north coastal region, south coastal region and Rayalaseema region were considered for the study. Two districts were selected from each region based on the highest per-capita income of the districts according to the District Domestic Product published by Directorate of Economics and Statistics of Andhra Pradesh. Two mandals from each district were selected based on highest per capita income of mandals according to Mandal Domestic Product. Two villages were selected from each of the selected mandals based on the revenue of villages and households from each village were selected randomly based on proportionate to size constituting a total of 240 households. The selected households were post stratified into three groups based on the income of household i.e., low-income group (LIG) whose monthly income was less than or equal to ₹ 15000, middle-income group (MIG) whose monthly income was in between ₹ 15000 and ₹ 30000 and high-income group (HIG) whose monthly income was more than ₹ 30000. The data on quantity wise food consumed by sample farm households, prices of food items and expenditure on food items were collected from the sample respondents through a pre-tested questionnaire.

Data Analysis and terms used

Percentage analysis was used to analyse the various sources of income. Chi-square test was done to test the significance among the groups. As agriculture was the major source of income for farm households the sources of income were classified as farm income, non-farm income and off-farm income. Additionally, institutional sources of income was also included in study.

a) Income

Annual earnings from different sources such as farm produce, wages earned, and other services were considered as income.

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b) Farm income

The net returns from cultivating agricultural and horticultural crops and rearing of livestock were considered as farm income.

c) Off-farm income

Off-farm income refers to the portion of farm household income obtained from the farm activities like rent from leased out land, hiring out of machinery, agricultural labour etc.

d) Non-farm income

Income obtained from non-agricultural labour, salaries from job, business, shops, renting of assets etc was considered as non-farm income.

e) Institutional income

Income received from government like transfer payments was considered as institutional income.

RESULTS AND DISCUSSION

The level and percentage of income from different sources/activities are depicted in Table 1.

Farm income

The level and percentage of income from farm activities are depicted in Table 1. Annual farm income per household for LIG, MIG and HIG categories was ₹ 75945, ₹ 143012 and ₹ 402540 respectively. For LIG, 76.16 per cent of farm income was realised from field crops itself, while 13.29 per cent was from horticulture crops and 10.59 per cent was from livestock. The contribution of horticultural crops (21.26 per cent) to farm income was slightly increased for MIG than LIG. Field crops contributed 62.53 per cent and livestock contributed 16.21 per cent of their farm-income. The share of agricultural, horticultural and livestock to farm income was 54.46 per cent, 36.15 per cent and 9.39 per cent for HIG respectively. Overall average farm income depicts that livestock had less share of farm income (11.08 per cent) when compared to field crops (59.13 per cent) and horticultural crops (29.79 per cent).

Off farm income

The levels and percentages of off farm income per annum per household as presented in Table 1 revealed that hiring out of machinery (38.00%) was the major source of off farm income for all categories. For LIG major contribution to off farm income was from agriculture labour activities (38.84%) followed by trade of agricultural produce (27.18%) and equivalent contribution from both rent from leased land (16.17%) and hiring out productive assets (17.81%). The off-farm income was found to be highest for HIG farmers where, rent from leased out land (55.35%) followed by hiring out machinery (30.14%) and trade of agriculture produce (14.51%) made almost equivalent shares of off farm income. Overall, average off farm income per annum per household for all categories was ₹ 74347. Trade of agriculture produce (33.23%) was found to be the major source of off farm income for MIG farmers followed by rent from leased out land (29.43%), as agricultural labour (22.17%) and hiring out of machinery (15.17%).

Non-farm income

As presented in Table 1, the major portion of non-farm income per annum per household in overall sample households was received from salaried job (52.69%) followed by rental income with 31.40 per cent. LIG farmers depended mostly on salaried job (66.12%) for non-farm income. In both MIG and HIG categories, farmers were depending more on non-farm income in which major share was received from salaried job followed by rental income. The share of salaried job and rental income was 36.83 per cent and 33.71 per cent for MIG and for HIG the share of salaried job and rental income was 59.23 per cent and 26.60 per cent respectively. Among all the categories of farmers the dependency on non-agricultural labour activity for non-farm income was very less than other sources of non-farm income. The contribution of business/shops for LIG and MIG farmers was almost similar.

Institutional sources of income

Apart from farm, off-farm, non-farm income sources eligible farmers or members in the household also received some income from the government like transfer payments, grants based on farmer farm size etc. In Table 1, the transfer payments (51.32%) contributed major share for institutional sources of income. Of all the categories MIG farmers were getting more benefits from institutions. The average institutional income per annum per household was ₹ 32908.

Income from livestock, rent for leased out land, mgnrega activities and grants from government were significant among three income groups.

Farm income was the major source of income to all farm households. For LIG, farm income was followed by non-farm income, institutional income and off-farm income. Farm income for LIG households was less when compared to MIG and HIG. This is due to the less operational holdings of LIG. For MIG and HIG, farm income was followed by non-farm income, off-farm

Table 1. Source-wise income of sample households (₹ /Annum)

Source of Income	LIG	MIG	HIG	Overall	Chi-square value
I. Farm income					
Field Crops	57806	89415	219205	122469	204.42
	(76.12)	(62.53)	(54.46)	(59.13)	
Horticultural Crops	10095	30410	145533	61722	55.17
	(13.29)	(21.26)	(36.15)	(29.79)	
Livestock	8044	23187	37802	22956	11.24*
	(10.59)	(16.21)	(9.39)	(11.08)	
Total	**75945**	**143012**	**402540**	**207147**	**127.32**
	(100)	**(100)**	**(100)**	**(100)**	
II. Off-farm income					
Agricultural labour	13587	12356	0	12971	38.22
	(38.84)	(22.17)	(0)	(17.44)	
Rent from leased out land	5661	16418	78279	25185	28.44*
	(16.17)	(29.43)	(55.35)	(33.88)	
Hiring out of machinery	6234	8472	42624	19710	58.32
	(17.81)	(15.17)	(30.14)	(26.52)	
Trade of Agriculture Produce	9518	18536	20535	16481	28.69
	(27.18)	(33.23)	(14.51)	(22.16)	
Total	**35000**	**55782**	**141438**	**74347**	**53.91**
	(100)	**(100)**	**(100)**	**(100)**	
III. Non-farm income					
Non-Agricultural Labour (Mgnrega)	2047	3336	6073	2666	11.22*
	(4.71)	(3.20)	(2.09)	(1.83)	
Salary from Job	28807	38517	173310	77410	44.84
	(66.12)	(36.83)	(59.23)	(52.69)	
Business, Shops	12706	27462	35354	20689	17.32
	(29.17)	(26.26)	(12.08)	(14.08)	
Rental Income	0	35248	77839	46135	24.78
	(0)	(33.71)	(26.60)	(31.40)	
Total	**43560**	**104563**	**292576**	**146900**	**53.26**
	(100)	**(100)**	**(100)**	**(100)**	
IV. Institutional source of income					
Transfer Payments	20301	16943	12749	16888	13.58
	(55.62)	(47.72)	(48.71)	(51.32)	
Grants From Government	16199	18569	13423	16020	10.21*
	(44.38)	(52.28)	(51.29)	(48.68)	
Total	**36500**	**35512**	**26172**	**32908**	**20.93**
	(100)	**(100)**	**(100)**	**(100)**	

Source : Analysed by the author
Note : Figures in parentheses indicate per cent to respective total.
*, ** indicate significance at 5% and 1% respectively.

income and institutional income. The non-farm income is more important for the households who have less farm size. The low -income households then diversify their income generation through low-paid, low-return non-farm activities. Institutional source of income was one of the major sources of income to LIG households.

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