

The All India Rural Financial Inclusion Survey for 2021-22

GS3: Agriculture & Allied activities

Context:

The All India Rural Financial Inclusion Survey for 2021-22, released earlier this month, found that 57% of rural households in the country—including households in semi-urban centres with a population of less than 50,000—were “agricultural”.

- ✓ This was significantly higher than the 48% reported in the previous survey of 2016-17.

About key findings of the Survey for 2021-22

1. Increase in “agricultural households

- The share of rural households identified as agricultural, based on the above definitions, has gone up for nearly all states **between 2016-17 and 2021-22**.

2. Rise in Agricultural Income

- The **all-India average monthly income** of agricultural households, at Rs 13,661 in 2021-22, was more than the Rs11, 438 for non-agricultural rural households.
- In the 2016-17 survey, too, agricultural households earned a higher average monthly income (Rs 8,931) compared with their non-agricultural rural counter parts (Rs7,269).
- **The contribution of cultivation and animal husbandry:** Within agricultural households, **the contribution of cultivation and animal husbandry** to total income was over 45% in 2021 22, up from 43.1% in 2016-17.
 - This increased share of income from farming activities was seen for agricultural households across most size classes of land possessed:
 - from 23.5% to 26.8% for those **with less than 0.01 hectare**,
 - from 38.2% to 42.2% for **those with 0.01-1 hectare**,
 - from 52.5% to 63.9% for **those with 1.01-2 hectares**, and
 - from 58.2% to 71.4% **for those with more than 2 hectares**.

3. The proportion of households in rural India reliant on agriculture as a livelihood source has registered a sharp increase between 2016-17 and 2021-22.

4. Even for agricultural households, the income from farming has gone up as a share of their overall income.

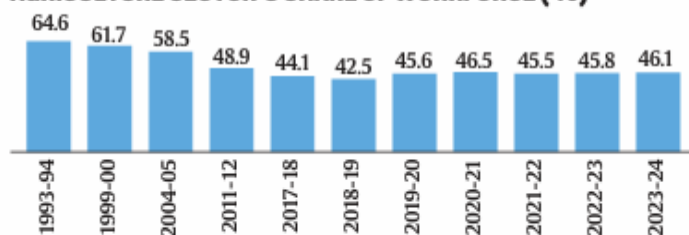
% SHARE OF AGRICULTURAL TO RURAL HOUSEHOLDS

	2016-17	2021-22		2016-17	2021-22
J & K	*77	**73	Uttarakhand	41	57
Jharkhand	51	69	Karnataka	59	55
Assam	47	67	Telangana	47	55
Uttar Pradesh	63	66	Gujarat	58	54
Chhattisgarh	55	66	Andhra Pradesh	34	53
Rajasthan	63	66	West Bengal	35	49
Madhya Pradesh	58	64	Bihar	47	45
Himachal	70	63	Tripura	39	40
Odisha	58	60	Punjab	42	36
Maharashtra	36	59	Kerala	13	18
Haryana	34	58	Goa	3	18
Tamil Nadu	13	57	All-India	48	57

**Includes only Jammu; **Excludes Ladakh.*

Source: NABARD All India Rural Financial Inclusion Surveys, Data (In %)

AGRICULTURE SECTOR'S SHARE OF WORKFORCE (%)



Source: NSSO Employment & Unemployment Surveys (till 2011-12) and Periodic Labour Force Surveys (from 2017-18).

5. Impact of Covid-19

- According to the PLFS, agriculture engaged 64.6% of the country's workforce in 1993-94. That share fell to 58.5% in 2004-05, 48.9% in 2011-12, and a low of 42.5% in 2018-19.
- Thereafter, a reversal of trend has taken place, with the farm sector's share of the employed labour force rising to 45.6% and 46.5% in the two pandemic-affected years of 2019-20 and 2020-21 respectively.

The paradox

- The agriculture's share has remained elevated even after 2021-22, despite the economy coming out of the pandemic, and recording an average annual GDP growth of 8.3% in the three years ended 2023-24.
- The latest ratio of 46.1% for 2023-24 is way above the pre-pandemic low of 42.5% in 2018-19. The above trend reversal is equally visible in rural areas.

- **Rural work force employed in Agriculture** in 2018-19 (57. 8%) which climbed to 61.5% in 2019-20 and 60.8% in 2020-21.
- ✓ That dropped to 59% in 2021-22 and 58.4% in 2022-23, but only to soar again to 59.8% in 2023-24.
- **The increased dependence on agriculture for employment and livelihoods**—borne out both by the NABARD and PLFS data—in an economy that has expanded over 1.4 times in constant rupees between 2016-17 and 2023 24, is a paradox requiring some explanation.
- **Jobs in manufacturing:** It may partly have to do with the lack of jobs in manufacturing, which employed only **11.4% of India’s workforce in 2023-24**, down from 12.6% in 2011-12 and 12.1% in 2018-19.
- ✓ Manufacturing’s share of employment in 2023-24 was even below that of trade, hotels & restaurants (12.2%) and construction (12%).
- The movement of surplus labour in agriculture is occurring, if at all, not from farms to factories.
- Instead, it is to sectors that tend to have quite similar employment characteristics as agriculture—having low marginal productivity (output per worker), paying just above subsistence wages, and largely informal.

As per the PLFS data for 2023-24, **the states with the highest and relatively low shares of their labour force employed in agriculture include:**

The states with the highest share of their labour force employed in agriculture included:

- ✓ **Chhattisgarh (63.8%),**
- ✓ **Madhya Pradesh (61.6%),**
- ✓ **Uttar Pradesh (55.9%),**
- ✓ **Bihar (54.2%),**
- ✓ **Himachal Pradesh (54%),**
- ✓ **Rajasthan (51.1%) and**
- ✓ **Jharkhand (50%)**

Among the ones with relatively low shares were:

- **Goa (8.1%),**
- **Kerala (27%),**
- **Punjab (27.2%),**
- **Haryana (27.5%),**
- **Tamil Nadu (28%) and**
- **West Bengal (38.2%).**

The reasons for an economy, whose size has grown from \$1.82 trillion in 2011 to \$2.29 trillion in 2016 and \$3.55 trillion in 2023 (World Bank data), having to depend more on agriculture for employment should be a subject of debate among economists.