

DISTRIBUTION OF FARM AND NON-FARM INCOME AMONG RURAL HOUSEHOLDS

A quantitative estimation of the magnitude and pattern of income among farm households in Kodakara Block of Trichur District was undertaken using a three stage random sampling technique. Pre-stratification of the sample was done based on holding size as Class I up to and including 0.25 ha, Class II 0.25 to 0.5 ha, Class III 0.5 to 1 ha and Class IV above 1 ha. Using a structured and pre-tested interview schedule, relevant data were collected from the

selected respondents. The data were then analysed using percentage and by estimating the Gini concentration ratio (Benson, 1970).

Gross income of a household consisted of farm income and non-farm income. Farm income included the value of crop and livestock products, receipts from sale of farm assets, custom hire services and rent from leased out land. Non-farm income comprised

Table 1. Average income of sample farm household, Rs

| Item | Category | | | | |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| | Class I | Class II | Class III | Class IV | All farms |
| Net farm income | 2465 (11) | 55660 (17) | 11029 (28) | 24029 (40) | 10772 (28) |
| Non-farm income | 20368 (89) | 27669 (83) | 28530 (72) | 36422 (60) | 28247 (72) |
| Total | 22833 (100) | 33235 (100) | 39559 (100) | 60451 (100) | 39019 (100) |

Figures in parentheses show percentage to total

of earnings by services, business, trade, sale of non-farm assets and current borrowing (Nandal, 1972). Pattern of income distribution of the sample is given in Table 1. The total income as well as its constituents, farm income and non-farm income increased with the size of holding. The relative share of non-farm income to total income was inversely related to farm size. Since the average holding size of the sample is only 0.17 ha which is grossly inadequate to sustain a household, the respondents depended more on non-farm activities. The absolute levels of both farm income and non-farm income tended to increase with size of holding. The correlation between non-farm income and size of holding appears to be expressed indirectly through the effect of the latter on human capital formation. A detailed analysis of farm income showed that crops were the main source (78%) followed by livestock (20%) and sale and hiring out of

farm implements (2%). The smaller class farms relied upon livestock as a subsidiary enterprise to farming, which fetched them good return. Of the various sources of non-farm income, services followed by business and other items like sale of household durable etc. accounted to 88, 10 and 2 per cent respectively. Unremunerative nature of farming, non-availability of land, labour and high wage rates may be some of the reasons for small farms switching over to non-farm activities.

Benefit-cost ratio was estimated to study the efficiency of the farms (Table 2). The ratio at the aggregate level was 1.80. It showed an increasing trend as the farm size increased. Chahal (1990) also obtained similar results.

The disparity in income among the farm household categories was studied using Gini concentration ratio approximated from Lorenz

Table 2. Benefit-cost ratio and Gini ratio of the sample households

| Item | Category | | | | |
|---------------------|----------|----------|-----------|----------|-----------|
| | Class I | Class II | Class III | Class IV | All Farms |
| Benefit cost ratio | 1.20 | 1.40 | 1.70 | 2.0 | 1.80 |
| Gini ratio | | | | | |
| (a) Farm income | 0.34 | 0.33 | 0.31 | 0.32 | 0.32 |
| (b) Non-farm income | 0.41 | 0.36 | 0.42 | 0.43 | 0.40 |

curve (Table 2). The estimates of the ratio were 0.32 for farm income and 0.40 for non-

farm income, which showed that the disparity in non-farm income was higher than the disparity in farm income.

Oommen (1979) reported that the Gini ratio of agricultural income distribution for Kerala was 0.21. Sarma (1980) obtained a Lorenz ratio of 0.416 for the household income inequality in India. The estimates of the present study are comparable with the above figures. The disparity in farm income was seen to decrease with increase in the farm size. Chahal (1990) also got similar result.

This paper forms a part of the M.Sc. (Ag) thesis of the senior author to the Kerala Agricultural University.

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