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Rural Economy Diversification-A Special Reference to Tamilnadu

¹Mrs. Prasanna Muraleedharan, ²Dr. T. V. S. Padmaja

¹Assistant Professor, Valliammal College for Women

²Principal, Valliammal College for Women

Peer Review Information	Abstract
<p><i>Submission: 11 Dec 2025</i></p> <p><i>Revision: 22 Dec 2025</i></p> <p><i>Acceptance: 10 Jan 2026</i></p> <p>Keywords</p> <p><i>Rural Diversification, Rural Tourism, Agritourism, Value Added Product, livestock, Non-farm Activities.</i></p>	<p>India is a land of villages and rural population alone constitute around 64% of the country's population. The transformation right from independence has brought the country to the forefront as it has carved a niche in the arena of agricultural sector, service sector, industrial sector, science and technology, and so on.</p> <p>Rural areas are known for the quality of life which revolves around the nature. Majority of the poor people reside in rural areas. Rural Tamil Nadu is highly diversified but still more than 52% of workers work in the agricultural sector including dairy as the principal activity. An insight into Rural Economy Diversification portrays how the villages are getting transformed and well-equipped with good infrastructural facilities. It also delves into the rich minerals found in rural areas, fertile land, water bodies, non-polluted atmosphere etc., and the employment reality of the people dwelling there. It also revolves about the process of rural economy moving from agricultural base to both farm and non -farm activities and how income is generated through manifold sources such as agriculture, value added products, rearing of livestock, small scale sectors, cottage industries, rural tourism, Agri tourism etc. Rural Diversification is required mainly to provide sources of income to the people of rural areas.</p>

Introduction

India is a land of villages; development of the economy reflects the modest expansion of rural areas with all self-knit facilities. India is the largest producer of milk, pulses and spices worldwide and second largest producer of fruits, vegetables, tea, farmed fish, sugarcane, wheat, rice and sugar.

Ministry of Rural Development in India focuses on empowering rural communities through sustainable development, poverty eradication, and infrastructure improvement. Rural diversification refers to creation of alternative income other than conventional farming practices. In other words, it means uplifting the livelihood of people dwelling in rural areas by resorting to multiple income generating activities such as agriculture, value added products, rear-

ing of livestock, small scale sectors, cottage industries, rural tourism, agritourism etc. North-eastern region of India stands as a paradise for Rural Tourism. Diversification plays a vital role in enhancing the growth of its economy. Government's goal is to provide a dignified village life, where people of Bharat's villages can find growth and opportunities within their own communities. The state of Tamil Nadu has exhibited a significant diversion in the growth of rural economy, traversing from a path of agriculture to non-farm sectors thereby creating resident rural households.

Objectives

- To analyze the concept of Rural Diversification.
- To find out the major income generating sources of rural people.

- To study about the various Schemes implemented by the government of Tamil Nadu for promoting Rural Diversification.
- To study the impact of selective Rural schemes enacted by the government of Tamil Nadu

Statement of the Problem

Rural Diversification should be enacted mainly to make the people dwelling in rural areas to be self-sufficient and to have access to a modest living. Rural economy faces dearth of capital and diversification alone can bring a significant transformation in the life of a rural individual. So, an insight into Rural Diversification will help us to know the yardsticks which the rural economy has to pervade through in order to become an efficient and profit owned entrepreneur by producing and selling the indigenous and native goods that are bygone for an urban and city dwellers.

Scope of Rural Diversification

Rural Diversification gaining momentum, a delve into this topic brings an awareness about the ample non-farm activities which can play a vital role in enhancing the lives of the rural people. How people by sticking on to the organic farming can lead a healthy life and living a life in a less polluted areas can increase their life span, portrays the Rural Schemes implemented by the government of Tamil Nadu and India for the betterment of the rural people - opens a gateway into their lives.

Significance of Rural Diversification

Rural Diversification is the need of the hour, for this alone can bring a drastic change in their lives by providing employment opportunities and also can increase their income manifold times through non-farm activities - cottage industries, toys making, handloom weaving, agri tourism, rural tourism etc.

Rural Diversification Activities

To **Mahatma Gandhi** villages are miniature republics- genuine democracy starts with grass-roots involvement of the residents from each and every village. According to Rural Non-Farm Employment in Tamil Nadu report on 2025, 75 percent of male workers and 50 percent of female workers are now engaged in non-agricultural activities. It includes dairy farming, milk collection centers, small-scale manufacturing units like sugarcane crushing, transportation via rickshaws and carts, blacksmithing of tools and machinery, pottery, carpentry, teaching and tailoring are the various non-farm activities of rural Tamil Nadu.

Diversification also means change in cropping pattern and non-farm activities - viz manufacturing, construction, service sector and resource extraction like mining and fishing, educational institutions, health sector, small industries, cottage industries, pottery, bee keeping etc. These activities aim to build economic robustness and resilience in rural areas, thereby provides income and support to the villages and enhances the development of rural areas .

1. Agriculture

Agriculture provides the primary livelihood for nearly half of India's population and especially to people dwelling in Rural areas and it contributes about 18 percent of GDP. It is the practice of cultivating the soil, planting, raising, and harvesting both food and non-food crops, as well as livestock production. Organic farming is the traditional farming system in India and attracts tourists such as researchers, farmers.

Diversification of Crop Production-Farmers produce a variety of crops rather than a single specialized crop. i.e. shift from single-cropping system to multi-cropping system. In India, agriculture has a blend of both subsistence farming and commercial farming and the choice of cropping pattern depends purely on the price structure in the market.

2. Horticulture

India has adopted growing diverse horticultural crops such as fruits, vegetables, tuber crops, flowers, medicinal and aromatic plants, spices and plantation crops. Horticulture is the art of cultivating a variety of fruits, vegetables, flowers, spices etc. Rising demand for fruits, vegetables, plantation crops, ornamental plants, and medicinal crops etc. has emerged as a pivotal driving force for agricultural development and Rural Diversification. Cultivation of fruits like dragon fruits, avocado, passion fruit, guava etc. can ensure diversify income sources for farmers and empower rural communities.

3. Livestock Rearing and Diary Farming

Livestock Rearing is raising of animals for various purposes such as for food- meat, eggs, milk etc. clothing- wool, leather and labor-draft animal. Common livestock of cattle are of two types -one types of cattle are reared for dairy products and the other usage of cattle is for ploughing purposes. Then there also other livestock such as goats, pigs, and poultry and these livestock production provides increased income, food security, transport, fuel and nutrition for the family without disrupting other food-producing activities.

Dairy Farming has become an important secondary source of income for millions of rural families and it plays a crucial role in rural Tamil Nadu thereby increasing the income of small farmers and supports their livelihoods through Aavin Cooperatives

4. Fisheries

The fishing community regards the water bodies as the mother which provides livelihood for the rural people involved in it. The water bodies consist of sea, oceans, rivers, lakes, natural aquatic ponds, streams etc. and therefore they form an integral part of their life.

Fisheries is an area where fishes are caught mainly for commercial purposes. Fisheries offer human beings the ability to utilize natural resources of the ocean for human prosperity. In India, the Pandyas - Tamil kingdom, were known for the pearl fishery as early as the first century B.C.E. Their seaport Tuticorin was known for deep sea pearl fishing.

5. Rural Tourism

Rural Tourism of North eastern India boosts up the income of the individual and also the growth of region. Three different and integral pillars of rural tourism are homestays, destination weddings and medical tourism. Rural festivals highlight the village’s spirit, cultural heritage and livelihood.

6. Agri Tourism

Agritourism is a form of Tourism where tourists plan their trips partially to engage in agricultural activities or enjoy an agricultural setting. It includes a wide range of activities - direct sale of products to consumers, promoting agritourism through school visits, hospitality services like overnight farm stays, recreational activities such as hunting and horseback riding, and entertainment events like hayrides and harvest dinners. These activities provide an additional source of income for farmers and help sustain small-scale farms.

Statistical Data

**Rural Employment -Tamil Nadu
Percent of Rural Workers-Usual Status, age 15+**

Year	Agriculture	Manufacturing	Construction	Trade & repair	Transport & storage	Financial & real estate	Public admin, education & health	Other services
2019-20	42.3	15.1	18.4	8.2	4.6	1.8	6.3	3.3
2020-21	43	14.8	18.1	8	4.7	1.9	6.5	3

In India -Maharashtra and Kerala are the states which have explored and provided agritourism. In Maharashtra Agritourism is promoted by the Agri Tourism Development Corporation while in Kerala - Kuttanad, Wayanad, Palakkad and Idukki are some of the important agricultural areas promoting Agri tourism. The 'Green Farm' project launched by the Government of Kerala is aimed at promoting agro-tourism in Kerala. Apart from Kerala and Maharashtra, Nagaland and Sikkim are also successful Agri-tourism states. Sikkim is the first organic farming state which has registered many agro tourism sites and Rural women participation has been on an increase.

7. Handicrafts and Cottage Industries

Rural India is rich in traditional skills and crafts, each state in India weaves their native handloom sarees which has an acceptable demand everywhere. Handloom weaving (e.g. Chikankari, Kanchipuram, Pochampally), Pottery and terracotta art, Bamboo and cane products, Embroidery and handmade jewelry. Jaggery making units, sugar industry, Thread making industry, Rice mills etc.

8. Food Processing and Homemade Products

Home-based food businesses are started with minimal capital and are highly profitable for individuals selling a qualitative product at a reasonable price.

For instance -Pickle and papad making, homemade snacks and sweets, flour mills and spice grinding units, cold-pressed oil production and bakery items (buns, bread, biscuits). These products are often sold locally or through community markets and SHGs.

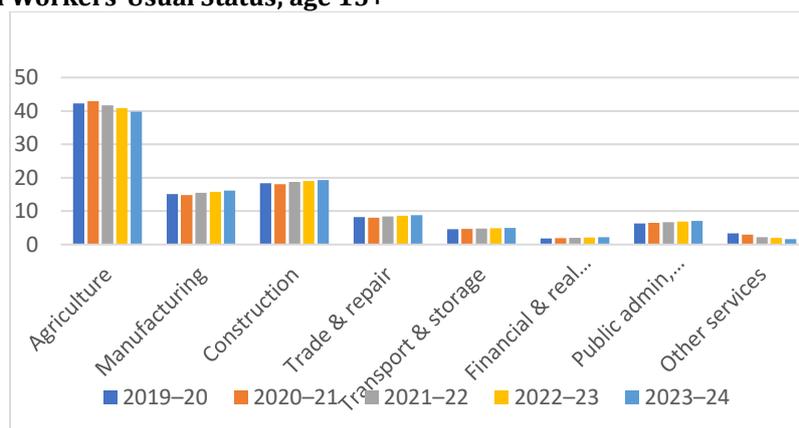
9. Petty Shops

Petty Shops in rural areas are essential small businesses- managed and run by the families from their home or Kiosks, providing daily necessities like groceries, household goods, fruits etc. It provides livelihoods for them and they try to meet the local demand.

2021-22	41.7	15.5	18.7	8.4	4.8	2	6.7	2.2
2022-23	40.9	15.8	19	8.6	4.9	2.1	6.9	2
2023-24	39.8	16.2	19.3	8.8	5	2.2	7.1	1.6

Sources: PLFS Annual Reports 2019-20 to 2023-24, Ministry of Statistics & Programme Implementation Directorate General of Employment (DGE) Ministry of Statistics and Program Implementation Press Information Bureau.

Rural Employment -Tamil Nadu
Percent of Rural Workers-Usual Status, age 15+



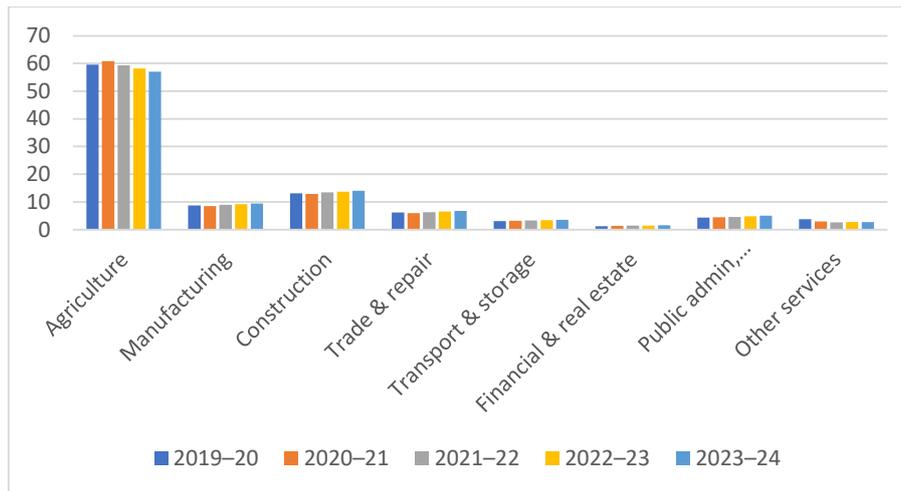
The above table clearly indicates that percentage of Rural Workers involved in agriculture increased initially, then showed a declining trend, while the labour force in manufacturing sector, construction, trade etc. initially declined, but depicted an increasing trend thereafter. Transport&

public administration shows an increasing trend. Finance and other services also increased gradually. One can vividly say that majority of the workforce in rural areas still stick on to agriculture for their livelihood.

Rural Employment -India
Percent of Rural Workers-Usual Status, age 15+

Year	Agriculture	Manufacturing	Construction	Trade & repair	Transport & storage	Financial & real estate	Public admin, education & health	Other services
2019-20	59.6	8.7	13.1	6.2	3.1	1.2	4.3	3.8
2020-21	60.8	8.5	12.9	6	3.2	1.3	4.4	3
2021-22	59.4	9	13.4	6.3	3.3	1.4	4.6	2.6
2022-23	58.2	9.2	13.7	6.5	3.4	1.5	4.8	2.7
2023-24	57.1	9.4	14	6.7	3.5	1.6	5	2.7

Sources: PLFS Annual Reports 2019-20 to 2023-24, Ministry of Statistics & Programme Implementation Directorate General of Employment (DGE) Ministry of Statistics and Program Implementation Press Information Bureau.



From the above table it is clear, that in India a major chunk of rural workforce is involved in agricultural sector, even though it shows a declining trend from the period 2021-2022. Rest of the sectors mentioned in the above table shows an increasing trend.

Government Schemes for Rural Diversification

Schemes are discussed in lighter vein from the point Government of Tamil Nadu. And its rural diversification schemes focus on integrated farming & allied sectors, rebuilding a good infrastructure and promoting activities like agroforestry, sericulture, fisheries, livestock, and micro-enterprises alongside traditional farming to create year-round income, supported by programs for irrigation, technology adoption and rural amenities to build self-sufficiency and resilience.

- **Tamil Nadu Irrigated Agriculture Modernization Project- TNIAMP**

TNIAMP is a multi-Disciplinary Project funded by World Bank and implemented by the Government of Tamil Nadu. launched in 2017, has led to enhanced agricultural productivity and climate resilience across 47 river sub-basins in the state and it has rehabilitated 2626 tanks, 355 check dams, and over 5000 km of canals.

The main objective is to accelerate crop diversification through promotion of hi-tech cultivation technologies and water conservation technologies in the proposed sub basins.

Impact -Advanced irrigation methods like System of Rice Intensification and Alternate Wetting and Drying have improved usage of water efficiently and has cut methane emissions by up to 40%. Drip and sprinkler systems installed over 13,047 hectares, saving up to 48% water and reduced cultivation costs by 30%. The project has benefited over 16 lakh farmers across 34 districts.

- **Mahatma Gandhi National Rural Employment Guarantee Act**

MGNREGA enacted in August 2005 by the government of India and was implemented from February 2006. It provides authority to the state government to execute it and funds are allocated accordingly. It aims at enhancing the livelihood of the people residing in rural areas by providing 15 days of work or unemployment allowance thus by guaranteeing 100 days of wage employment in a financial year to a rural household where adult members can volunteer to do unskilled manual work.

Impact-Recently this programme has encountered protests from the Tamil Nadu MGNREGA labourers, for it has provided only fewer working days, on an average of 15.57 days and there were financial irregularities.

- **Tamil Nadu Horticulture Development Agency**

TANHODA registered as a society under the Tamil Nadu Societies Registration Act 1975 for implementing various Horticulture Schemes funded by Government of India and Government of Tamil Nadu, functions as a "Special Purpose Vehicle" since 2004. The main objectives are to promote Hi-Tech Horticulture and precision Farming, encouraging the Public Private Partnership (PPP) for the development of Horticulture, disseminating knowledge of modern technologies of Horticulture to the farming community, managing the production and distribution of planting materials through state Horticulture Farms. There are 49 State Horticulture Farms in Tamil Nadu under the control of TANHODA. The objective of State Horticulture Farms is to produce quality pedigree planting materials for the major crops like mango, amla, sapota, guava, jack and other fruit crops, ornamental plants, cash crops like cashew, coffee and others.

Impact-State Horticulture Farms increased the employment opportunity, thereby increasing the productivity, enhanced crop variety, increased income of the farmers etc.

- **Tamil Nadu State Rural Livelihoods Mission (TNSRLM):**

Tamil Nadu State Rural Livelihood Mission was implemented by the Government of Tamil Nadu from the year 2012-13. The Mission activities are funded by Government of India and the State Government in the ratio of 60:40. It provides employment-oriented training for rural youth, thereby increasing their income manifold times through vibrant activities. It aims to promote self-help groups- whereby there is a steady flow of income for women, differently -abled individuals and marginalized section of the society.

Impact-Enabled the rural poor to form Self Help Groups and helps to improve their products and also their marketing technology.

- **Rainfed Area Development (RAD)**

This scheme is implemented with a sharing pattern of 60:40 between Centre and State. The objective is to promote Integrated Farming System (IFS) with emphasis on multitier-cropping, rotational cropping, inter cropping, mixed-cropping practices with allied activities like horticulture, livestock, fisheries, agro-forestry, apiculture, conservation/promotion of Non-Timber forest Products etc. to enable farmers not only in maximizing the farm returns for sustaining livelihood, but also to mitigate the impacts of drought, flood or other extreme weather events.

- **Collective Farming Scheme for Horticulture**

The Government of Tamil Nadu implemented an innovative programme for organizing small and marginal farmers into Farmer Producer Groups which will be federated into Farmer Producer Organizations mainly to promote collective farming for credit mobilization, better adoption of technology and facilitate effective forward and backward linkages.

Impact-The collective farming method practiced by the farmers was very successful and it has paved way for direct and indirect jobs for agricultural labourers in the hamlet of Thenpathi a small hamlet of landless daily-wage workers who reside within the Kaveripoompattinam panchayat limits of Mayiladuthurai district. Agriculture has become a profitable livelihood option because of the gains they received through collective farming and a shift of daily wage earners to farmers

- **Chief Minister Solar Powered Green House Scheme (CMSPGHS)**

The scheme is named as "Chief Minister's Solar Powered Green House Scheme (CMSPGHS)." and it was launched during the year 2011-2012. It is a flagship scheme of Government of Tamil Nadu, which fulfils the Housing requirement of the rural poor people along with Solar Powered Home Lighting Systems, thereby promoting green energy.

Tamil Nadu Government had ordered for construction of 60,000 Solar Powered Green Houses of 300 square feet each, every year for the next five years commencing from 2011-12 at a unit cost of Rs.1.80 lakhs per house. Another milestone in the history of rural housing which clearly addresses the shelter needs in rural areas.

Impact-The scheme had certain flaws, for it has benefitted ineligible individuals and the quality of the solar photo voltaic home lighting system was a substandard one.

- **Anaithu Grama Anna Marumalarchi Thittam - AGAM -II**

This scheme was implemented during 2006-2011 mainly to improve the overall basic infra-structural facilities in all village panchayats in a phased manner. Facilities to be improved upon are -rejuvenation of ponds, formation of a rural library embedded with books and furniture, creation/ improvement of burial grounds/ cremation/ sheds and establishment of community/ school sports centre. This scheme is again reintroduced in the year 2021-2022 mainly to allot equal distribution of resources and promotion of good governance in all villages.

Impact-The government implemented this scheme in 2,657 village panchayats at a cost of ₹1,455 crore during 2021-22. and in 2022-23, it covered 2,544 village panchayats at a cost of ₹1,155 crore. There are 79,395 habitations in 12,525 villages across the State. On an average, there are six habitations in a village panchayat.

- **Namakku Naame Thittam - Rural**

This scheme was introduced in 1997-1998 and it is implemented through local bodies such as Village Panchayats, Panchayat Unions, Municipalities, and Corporations. Public and private contributions play a significant role in project execution. It encourages people's participation in the creation of public assets. It concentrates on construction of buildings for smart class rooms, laboratories, toilets, cycle stands and compound walls/ fencing of government schools, Adi Dravida and Tribal Welfare Schools, Panchayat Union Schools and Kallar Reclamation Schools, Government Colleges and Government schools,

Government Polytechnic Colleges and working women hostels.

Impact-A big scheme which has paved way for rural development. Funds were utilized for basic infrastructure development such as roads, street-lights, drinking water supply, improvisation of schools mainly to provide benefits to the student community health centers and sanitation facilities

- **Kalaignar Kanavu Illam**

Construction of permanent houses for hut dwellers was introduced in 1975 in Tamil Nadu. In this scheme, poor families living in rural areas in thatched Huts are provided with houses under the scheme. The government's vision is to construct 8 lakh concrete houses in the rural areas of Tamil Nadu by 2030. Kalaignar Veedu Vazhangu Thittam-KVVT was launched during 2010. This scheme works under the Rural Development and Panchayati Raj Department of Tamil Nadu. Under this scheme every year 1 lakh concrete houses will be constructed and so far, eight lakh houses have been constructed in Tamil Nadu and by 2030, all these huts to be replaced by permanent concrete houses.

Impact-This scheme has really benefitted the economically weaker sections of the society especially 20% for SC & ST Community each and the remaining 60% is allocated for the construction of Backward Community people.

- **Tamil Nadu Horticulture Development Agency**

TANHODA registered as a society under the Tamil Nadu Societies Registration Act 1975 for implementing various Horticulture Schemes funded by Government of India and Government of Tamil Nadu, functions as a "Special Purpose Vehicle" since 2004. The main objectives are to promote Hi-Tech Horticulture and precision Farming, encouraging the Public Private Partnership (PPP) for the development of Horticulture, disseminating knowledge of modern technologies of Horticulture to the farming community, managing the production and distribution of planting materials through state Horticulture Farms. **State Horticulture Farms (SHF)** There are 49 State Horticulture Farms in Tamil Nadu under the control of TANHODA. The objective of State Horticulture Farms is to produce quality pedigree planting materials for the major crops like mango, amla, sapota, guava, jack and other fruit crops, ornamental plants, cash crops like cashew, coffee and others.

Impact-State Horticulture Farms increased the employment opportunity, thereby increasing the productivity, enhanced crop variety, increased income of the farmers, export increased etc.

- **Revamped Rashtriya Gram Swaraj Abhiyan - RRGSA.**

This scheme was launched in 2002 mainly to make the panchayat raj institutions to become more responsive towards local development needs. Fund is shared by the union and state in the ratio of 60:40. It includes providing training and capacity building, infrastructure and human resources, distance learning, innovative activities, technical support to panchayat raj institutions.

- **Chief Minister's Mannuyir Kaathu Mannuyir Kaappom Scheme**

The scheme was officially launched by the Chief Minister of Tamil Nadu M.K. Stalin on June 12, 2024 to improve soil health and promote sustainable agriculture. Aim is to increase the soil fertility, promote organic practices, and reduction in the use of chemical fertilizers. In the first phase, the scheme planned to distribute green manure seeds to 200,000 acres and benefit over 200,000 farmers.

Impact-Growing awareness among all sections of the people has kindled the urge and fire in the farmers to stick on to organic farming practices by resorting to purchase of organic fertilizers, natural pesticides to control the growth of pests and to improve the yields, thereby overcoming health hazards.

- **GOBARdhan Scheme (Galvanizing Organic Bio- Agro Resources Dhan)**

This scheme in Tamil Nadu was enacted through the Rural Development and Panchayat Raj Department (TNRD) mainly to improve rural sanitation by transforming the agro-waste into valuable resource, conversion of animal waste, kitchen left overs, crop residue and market waste into biogas and bio-slurry. 119 Gobardhan plants are operated in 22 district of Tamil Nadu, especially with a far sight to establish them in all rural districts.

Impact-Clean villages have surfed, pollution has been reduced, nutrient rich manure had given better farm yields, employment generation has improved upon the rural economy

Conclusion

The Ministry of Rural Development plays a pivotal role in shaping the future of Rural India on the following lines- Sustainable development, poverty alleviation and overall improvement in the living conditions in villages. Rural Development and panchayat Raj department has ensured to fulfill the basic needs of the rural masses such as drinking water, sanitation, housing, livelihood, rural connectivity and infrastructures like street lighting, schools, community halls etc. Rural Diversification is the need of the hour and the rural

people standard of living can enthrall only if they get a very good working opportunities with a good scope for enhancing their financial position. Indian Economy can become a developed economy only if the rural economy also grows manifold times and the imbalance between rural and urban can be narrowed down. So rural diversification needs to exist.

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