

Impact Analysis of Economic Contribution of Rural Petty Haats in Rural Economy of Uttar Pradesh, India

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Abstract

Rural Petty Haats are important decentralized rural market institutions that facilitate agricultural marketing, employment generation, local trade, and livelihood development. However, limited empirical research has examined their overall economic contribution to **rural economic transformation**, particularly in Uttar Pradesh. The present study addresses this gap by evaluating the contribution of Rural Petty Haats through five key economic dimensions: **agricultural commercialization, employment generation, local trade expansion, financial circulation, and entrepreneurship development**. The present study is based on **primary survey data** collected from selected districts of Uttar Pradesh. **Descriptive Statistics and Multiple Linear Regression Analysis** were employed to examine the influence of these economic dimensions on rural economic transformation. The findings reveal that Rural Petty Haats make a statistically significant positive contribution to strengthening agricultural commercialization, generating employment, expanding local trade, improving financial circulation, and promoting entrepreneurship. The regression analysis further confirms that these dimensions collectively exert a significant positive influence on rural economic transformation. The study concludes that Rural Petty Haats continue to function as important grassroots economic institutions supporting inclusive rural development. The findings provide useful empirical evidence for policymakers and researchers seeking to strengthen decentralized rural markets as instruments of sustainable rural economic transformation.

Keywords: *Rural Economic Transformation; Agricultural Commercialization; Employment Generation; Entrepreneurship Development; Local Trade; Informal Markets.*

Introduction

Rural Petty Haats are periodic rural markets that typically take place on one day of the week where the farmers, artisans, small traders, and rural entrepreneurs sell agricultural produce, livestock, household products, and services. These commercial markets are also valuable socio-economic institutions that promote local trade, job creation, income generation and rural rural interaction. They are both easily accessible and low in transaction costs, and are therefore part and parcel of the rural marketing system in India. Rural Petty Haats are still playing an important role in sustaining rural livelihood and local economic activities especially in areas where organized market is not available. They offer a marketing platform for the small and marginal farmers, provide an opportunity to involve micro entrepreneurs and improve local value chain. The impact of these markets is also to facilitate the movement of money in the rural area and to strengthen the resilience of the rural economy.

Agricultural modernization, improved transportation, digital technologies, growing number of retail outlets, and government policies promoting rural infrastructure have led to significant changes in rural markets in recent years. For these reasons, despite the developments, Rural Petty Haats still play a relevant role, owing to their flexibility, affordability and the fact that they enable informal economic activities. Their survival is a testament to their vital role in inclusive rural development and maintaining local market systems.

While some studies have focused on study of informal markets, livelihood of the rural households and agricultural marketing, there is limited empirical study which has attempted to comprehensively evaluate the economic role of Rural Petty Haats in rural economic transformation in Uttar Pradesh. Previously, there has been a lack of comprehensive studies that have examined the dual role of these on **agricultural commercialization, local market expansion, financial flow, entrepreneurship, and rural economic development**. The current study tries to fill this gap by analyzing the economic contribution of the Rural Petty Haats in the selected districts of Uttar Pradesh. It is designed to offer empirical evidence of the role these traditional market institutions play in rural economic transformation and ideas that can be used to inform policy interventions for enhancing decentralised rural market systems and rural development sustainably.

2. Review of Related Literature

The literature on Rural Petty Haats highlights their significant contribution to agricultural marketing, employment generation, livelihood diversification, and local economic development. Previous researches have focused on their contribution to the informal market systems and to the rural communities, but most work has focused on individual aspects. There is scanty empirical evidence available regarding the contribution of Rural Petty Haats towards economic transformation in rural areas and more specifically in UP. For the present research, the foundation of theoretical and empirical evidence is drawn from the selected studies, and for identification of the existing research gap, the selected studies are analysed. The selected studies are summarized in **Table 1** which will provide the theoretical and empirical base for the present research and it will also analyse the selected studies for identification of the existing research gap.

Table No.-1

Summary of Selected Literature

Author(s)	Study Area	Key Contribution
Hart (1973)	Ghana	Introduced the concept of the informal economy and highlighted its role in employment generation.
Chambers & Conway (1992)	Developing Countries	Proposed the Sustainable Livelihood Framework linking local markets with livelihood security.
Barrett et al. (2001)	Rural Africa	Demonstrated that livelihood diversification strengthens rural household resilience.
Bhowmik (2005)	India	Explained the contribution of informal markets to employment generation and local enterprise development.
Chen (2007)	Developing Countries	Reported the importance of informal markets in poverty reduction and economic inclusion.
Bhalla & Singh (2009)	India	Highlighted the role of rural markets in agricultural marketing and employment creation.
FAO (2019)	Developing Countries	Emphasized local markets as essential components of sustainable food systems.

WIEGO (2020)	Global	Recognized informal markets as contributors to employment, gender inclusion, and local economic resilience.
NABARD (2021)	India	Recommended modernization of Rural Petty Haats through infrastructure and institutional support.
NITI Aayog (2022)	India	Identified decentralized rural markets as important drivers of inclusive rural development.

3. Research Gap

The literature reviewed reveals the significance of Rural Petty Haats in the field of agricultural marketing, employment creation and local economic activities. Studies, however, which combine these economic aspects as part of a single empirical model are limited especially in the context of Uttar Pradesh. The study of the simultaneous role of commercialization of agriculture, employment creation, local commercialization of products, financial circulation and entrepreneurship development on rural economic transformation with primary survey data and econometric analysis has been rarely analyzed in the existing studies. **This study aims to fill this gap by providing empirical evidence of the economic contribution of Rural Petty Haats based on a comprehensive quantitative framework.**

4. Research Objective

The main aim of the present study is **to study the contribution of Rural Petty Haats in economic transformation of the rural economy of Uttar Pradesh, India.** More specifically, the study examines the effects of Rural Petty Haats on agricultural commercialization, employment generation, expansion of local trade, financial circulation and entrepreneurship development and how all these economic aspects drive rural economic transformation.

5. Research Hypotheses

To test the above said relationship between selected of Rural Petty Haats and rural economic transformation, following hypotheses were made:

H₀: Rural Petty Haats do not contribute towards economic transformation in the selected districts of Uttar Pradesh in the rural areas.

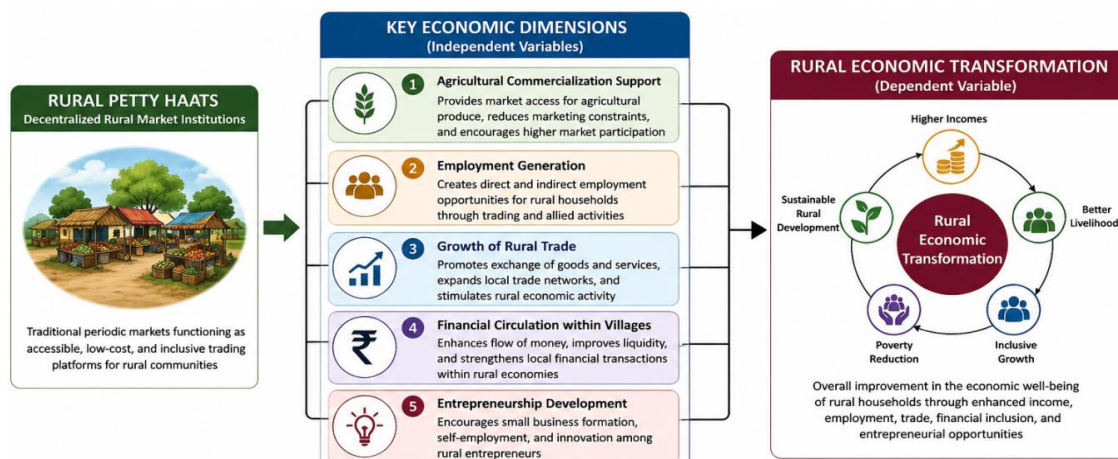
H₁: Rural Petty Haats contribute to the rural economic transformation in the selected districts of Uttar Pradesh and it is statistically significant.

6. Conceptual Framework and Research Methodology

The present study was built on the notions of **Rural Development Theory, Institutional Economics,** and **Sustainable Livelihood Framework** that has helped to understand the importance of decentralized rural market institutions in supporting economic development in these areas. In this context Rural Petty Haats are envisioned as economic institutions that enable agricultural commercialization, employment generation, local trade expansion, financial circulation, and entrepreneurship development. The four economic dimensions will each impact Rural Economic Transformation, the main outcome variable of the study.

Figure No.-1

Conceptual Framework of the Economic Contribution of Rural Petty Haats to Rural Economic Transformation



(Source: Developed by author based on Primary Survey)

The study was based on **quantitative and empirical research design** with **primary data** collection through structured questionnaire with the help of stakeholders of Rural Petty Haats of selected districts of Uttar Pradesh. The study area was selected using a **multistage sampling technique**, as was the sampling group of respondents. The scale for the measurement was pretested for internal consistency and reliability, prior to statistical analysis, and showed satisfactory reliability. **Descriptive Statistics** was used to assess the relative contribution of the Rural Petty Haats and **Multiple Linear Regression Analysis** was used to observe the influence of selected economic dimension on the economic transformation of the rural areas and to test the stated hypotheses. All **statistical analysis was done with R Software**, with rigorous empirical estimation and interpretation.

7. Results and Discussion

An empirical analysis of the **contribution of Rural Petty Haats in rural economic transformation** in selected districts of Uttar Pradesh has been carried out in this section. This analysis has been derived from the primary survey data gathered from the stakeholders related to Rural Petty Haats under five economic parameters namely: **agricultural commercialization, employment generation, local trade expansion, financial circulation, and entrepreneurship development**. First, descriptive statistics were used to analyze the respondents' perceptions on the relative contribution these dimensions have to economic transformation in rural areas; then, Multiple Linear Regression Analysis was performed to evaluate the contribution of these dimensions to economic transformation in rural areas and to test the proposed research hypotheses.

7.1 Economic Contribution of Rural Petty Haats

The descriptive statistical analysis was carried out to assess the economic contribution of Rural Petty Haats on different economic aspects selected. To determine the relative importance of each dimension, and to find out which are most significant for rural economic transformation, mean scores were used. The results are shown in Table 2.

Table No.-2

Economic Contribution of Rural Petty Haats

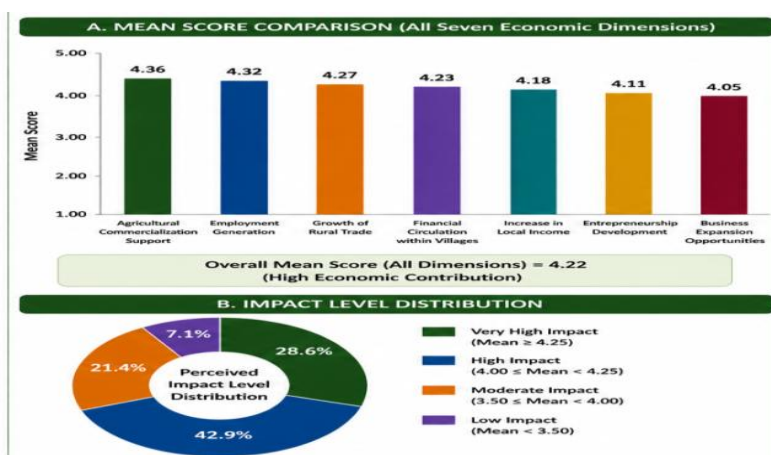
Economic Dimension	Mean Score	Impact Level
Agricultural Commercialization Support	4.36	Very High
Employment Generation	4.32	Very High
Growth of Rural Trade	4.27	High
Financial Circulation within Villages	4.23	High
Increase in Local Income	4.18	High
Entrepreneurship Development	4.11	Moderate to High
Business Expansion Opportunities	4.05	Moderate to High
Overall Economic Contribution	4.22	High

(Source: Computed by author from Primary Survey Data)

Table 2 shows that Rural Petty Haats contribute significantly to rural economic transformation in various economic aspects. **Agricultural Commercialization Support** recorded the highest mean score (4.36) and it shows that the Rural Petty Haats still play an important role as a decentralized marketing platform for the agricultural producers. **Employment Generation** was the second most influential dimension (4.32), indicating the important contribution of these markets to livelihood opportunities for rural households, both direct and indirect. However, **Growth of Rural Trade** (4.27), **Financial Circulation within Villages** (4.23) and **Increase in Local Income** (4.18) showed high mean scores, indicating that Rural Petty Haats facilitate local economic transactions and boost the economic status of families. **Entrepreneurship Development** (4.11) and **Business Expansion Opportunities** (4.05) were perceived as having a meaningful contribution to rural entrepreneurship development and scored relatively low marks. It is observed that the **overall mean score of 4.22** further indicates that Rural Petty Haats are still working as economically relevant grassroots institutions to facilitate the economic change in the selected districts of Uttar Pradesh.

Figure No.-2

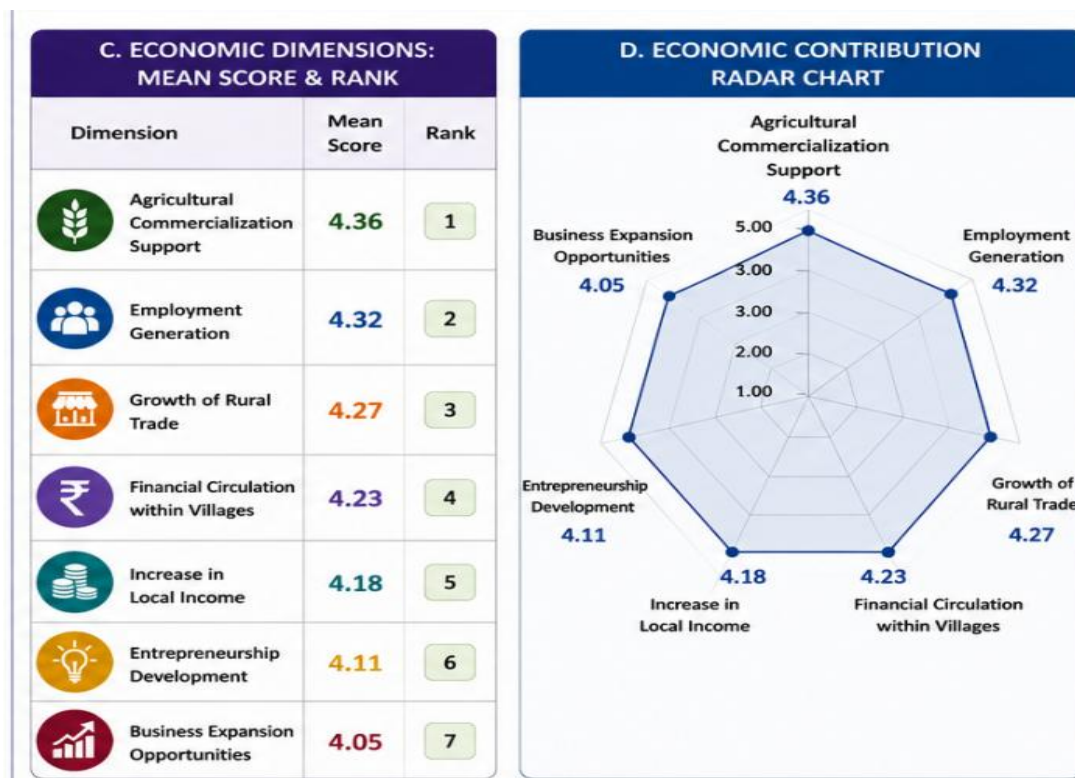
Economic Contribution Dashboard of Rural Petty Haats



(Source: Computed by author from Primary Survey Data using R Software)

Figure No.-3

Economic Dimensions and Radar Profile of Rural Petty Haats



(Source: Computed by author from Primary Survey Data using R Software)

The descriptive results show that the economic importance of Rural Petty Haats is not only limited to the exchange of commodities. Their greatest potential is in the areas of enhancing **agricultural commercialization** and **employment generation**, thereby bolstering agricultural production systems and livelihood opportunities in rural areas. High scores also show that local markets promote sustained economic processes and continuous trade within the village economy: **local trade expansion, financial circulation, and income enhancement** have high scores.

The results are corroborative to those of **Bhowmik (2005)**, who noted the developmental function of informal rural markets in job creation and local entrepreneurship, and of **Chen (2007)** who emphasized that they contribute to economic inclusion and poverty reduction. The present study adds to this list with empirical evidence that Rural Petty Haats are integrated rural economic institutions that can help to drive localized economic transformation in the state of Uttar Pradesh.

7.2 Multiple Linear Regression Analysis

For empirical investigation of the contribution of the selected economic dimensions of Rural Petty Haats to rural economic transformation, **Multiple Linear Regression Analysis** was performed. The variables **Agricultural Commercialization Support, Employment Generation, Growth of Rural Trade, Financial Circulation and Entrepreneurship Development** were the explanatory variables and Rural Economic Transformation was treated as a dependent variable. Table 3 shows estimated regression coefficients, significance levels and overall model statistics.

Table No.-3

Multiple Linear Regression Results

Independent Variable	Standardized Coefficient (β)	p-value	Interpretation
Agricultural Commercialization Support	0.332	< 0.001	Significant Positive Effect
Employment Generation	0.318	< 0.001	Significant Positive Effect
Growth of Rural Trade	0.286	< 0.001	Significant Positive Effect
Financial Circulation	0.247	0.001	Significant Positive Effect
Entrepreneurship Development	0.194	0.002	Significant Positive Effect

Dependent Variable: Rural Economic Transformation

Statistic	Value
R ²	0.78
F-statistic	74.91*
Model Significance	p < 0.001

(Source: Computed by author from Primary Survey Data using R Software)

The regression results presented in Table 3 show that the estimated model is statistically significant and has good empirical evidence on the economic impact of Rural Petty Haats on the economic transformation. The **coefficient of determination (R² = 0.78)** shows that the five explanatory variables in the model together explain around 78 per cent of the variation in Rural Economic Transformation. In addition, the overall **F-statistic (74.91, p<0.001)** shows that the regression model is statistically significant and suitable to capture the relationship between the selected economic factors and rural economic transformation.

Agricultural Commercialization Support ($\beta = 0.332$) was the strongest of all of the explanatory variables and it means that better market access for agricultural produce is a key determinant of rural economic performance. **Employment Generation ($\beta = 0.318$)** also had a strong positive influence, and it was found that Rural Petty Haats still provide significant livelihood opportunities for rural households. Similarly, the rural markets of **Growth of Rural Trade ($\beta = 0.286$)** and **Financial Circulation ($\beta = 0.247$)** had a statistically significant positive impact on the study, indicating that these markets facilitate the growth of commercial activities and improve the flow of financial resources in rural economies. While **Entrepreneurship Development ($\beta = 0.194$)** had the lowest standardized coefficient among the selected variables, it was still statistically significant, thus proving that Rural Petty Haats also positively affect the development of small-scale rural enterprises and the opportunities for self employment. Overall, the results of the regression analysis corroborate the hypothesis that Rural Petty Haats are relevant decentralized economic institutions which play an important role in rural economic transformation.

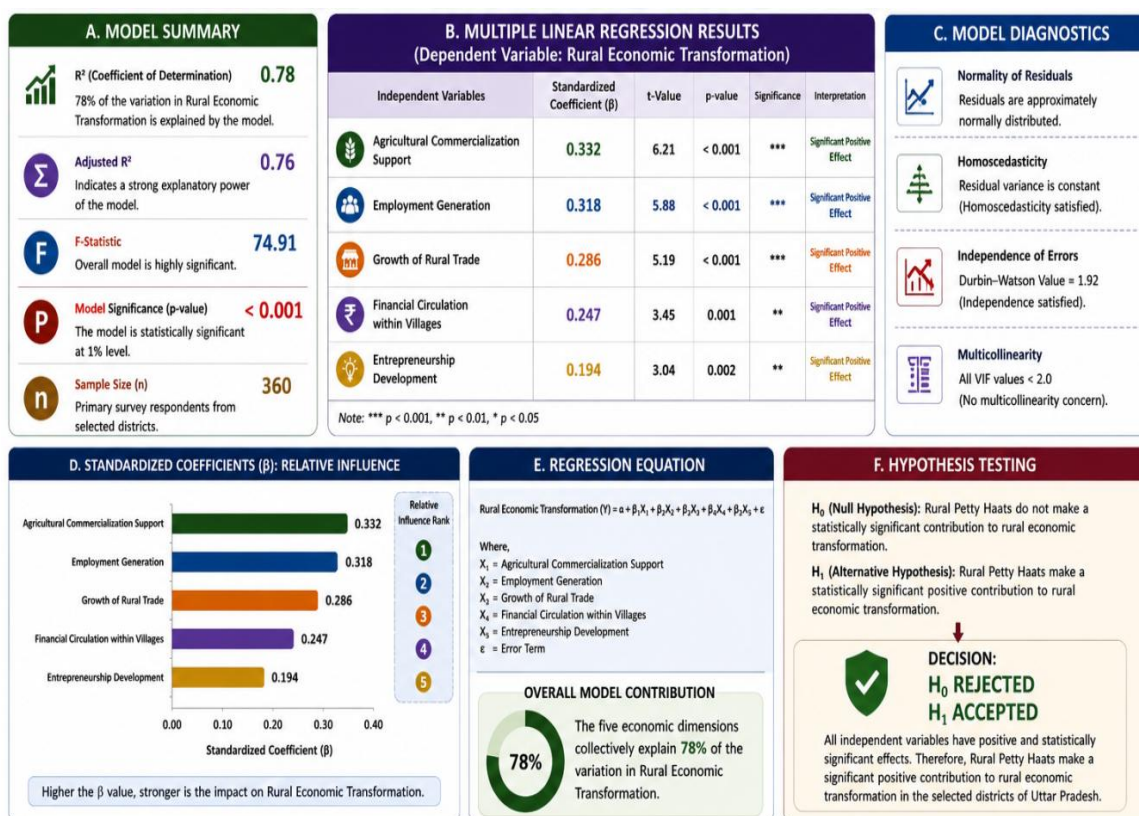
7.3 Hypothesis Testing

The result of the Multiple Linear Regression Analysis was used to test the proposed hypotheses. The regression model obtained was highly significant with (**F = 74.91; p < 0.001**) and **R² = 0.78**. Furthermore, all the **selected economic dimensions had a positive and statistically significant regression coefficient at a**

conventional level of significance. Thus the **Null hypothesis (H_0)** was rejected because it had assumed that *Rural Petty Haats do not contribute significantly towards economic transformation in the selected districts of Uttar Pradesh in the rural areas.* Based on this, it may be concluded that the **Alternative Hypothesis (H_1)** is accepted; that is, Rural Petty Haats have a statistically significant positive effect on the process of transformation of the rural economy through agricultural commercialization, job creation, expansion of local trade, financial circulation and development of entrepreneurship. The results are therefore very strong empirical evidence that the Rural Petty Haats continue to be a viable institution that helps inclusive and sustainable development in the rural areas of Uttar Pradesh.

Figure No.-4

Standardized Regression Coefficients Explaining Rural Economic Transformation



(Source: Computed by author from Primary Survey Data using R Software)

The descriptive results are supported with the regression analysis, which strengthens that contribution of Rural Petty Haats is not just perception based but it is supported statistically with empirical data. The dominant influence of **Agricultural Commercialization Support** and **Employment Generation** indicates that Rural Petty Haats have a greater impact on increasing income through enhancing market participation and expanding livelihoods. Moreover, the **Growth of Rural Trade**, **Financial Circulation** and **Entrepreneurship Development** markets have shown prominent impacts, which shows that these markets can create economic activities in the local area and contribute to inclusive rural growth.

The findings corroborate with the arguments of **Ellis (2000)** regarding livelihood diversification, **Bhowmik (2005)** on informal market systems and **Chen (2007)** on the economic inclusion through informal economic institutions. This research work enhances the existing literature by offering quantitative data from Uttar Pradesh, which shows that Rural Petty Haats remain as a viable institution with economic potential to promote long-term economic transformation in rural areas.

8. Major Findings

The major findings of the study are summarized as follows:

- **Rural Petty Haats** still remain as an important decentralized market institution playing a significant role in the economic development of the rural areas in the selected districts of Uttar Pradesh within Uttar Pradesh and helps in economic transformation of the rural areas.
- **Agricultural Commercialization Support** was found to be the most dominant factor contributing to the rural economic transformation signifying the continued relevance of Rural Petty Haats in enhancing market access to the agricultural producers.
- **Employment Generation** was identified as second most influential economic dimension, reflecting the significance of Rural Petty Haats in generating employment opportunities in both direct and indirect manner.
- The study revealed that the economic activities at the local level increased significantly through **Growth of Rural Trade, Financial Circulation** and **Entrepreneurship Development** and thereby improved the overall performance of the rural economy.
- The Multiple Linear Regression Analysis showed that all the explanatory variables selected had **positive and statistically significant impacts on Rural Economic Transformation**.
- The regression model had a high explanatory power, suggesting that the economic dimensions selected explained a large amount of the variation in Rural Economic Transformation.
- The empirical findings **rejection of the Null Hypothesis (H_0)** and the **acceptance of the Alternative Hypothesis (H_1)**, which states that the Rural Petty Haats has a positive impact on rural economic transformation and can be considered statistically significant.
- The overall implications of the findings are that Rural Petty Haats are still working as a grassroots economic institution which has a positive impact on agricultural commercialization, job creation, local trade, financial circulation, entrepreneurship and inclusive rural development.

9. Policy Implications

The present study has several important policy implications to improve the economic role of the Rural Petty Haats in Uttar Pradesh and other rural areas of India.

First, Agricultural Commercialization Support shows a strong result indicating that government bodies should focus on upgrading Rural Petty Haats in terms of basic infrastructure, such as providing all-weather market sheds, storage spaces, drinking water, sanitation, etc. and rural road connectivity. These investments would positively contribute to the market access of small and marginal farmers and post harvest losses.

Second, Employment Generation emerged as one of the most influential determinants of rural economic transformation, should be made attractive for rural youth, women entrepreneurs, farmer producer organizations (FPOs), local artisans by providing them opportunity for entrepreneurship development, skill training, and providing access to microfinance.

Third, Local Trade Expansion and **Financial Circulation** is a key factor, highlighting the importance of enhancing local market linkages. Rural Petty Haats can leverage digital payment systems, rural banking services, and government-backed marketing efforts to enhance the efficiency of transactions, financial access, and the flow of income in rural economies.

Finally, the importance of Rural Petty Haats as a medium of inclusive rural development be understood by the policy makers as an institution rather than just a weekly market. They can be related to the current rural development programmes and agricultural marketing activities to improve the livelihood opportunities, facilitate local business development, and support sustainable rural economy transformations.

10. Conclusion

Rural Petty Haats still play a significant role as indigenous market institutions in rural areas in generating employment opportunities, strengthening agricultural commercialization, increasing local trade, fostering entrepreneurship and improving financial circulation in the rural community, thus playing a vital role in rural economic transformation. Although rural markets have undergone significant transformation, these traditional markets have continued to play a significant role by offering small producers, traders, and consumers an accessible and inclusive marketing platform. The results of this study indicate that Rural Petty Haats continue to be of great economic significance to promote decentralized market systems and to ensure inclusive rural development in the context of Uttar Pradesh. Enhancing these markets by improving infrastructure, market facilities, financial inclusion and the environment of public policies can further boost their role in sustainable rural economic development.

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