
UNIT 8 RURAL INDUSTRIALISATION PROGRAMME

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8.0 OBJECTIVES

After studying this Unit you should be able to:

- identify the nature and characteristics of rural industry;
- appreciate the role of rural industry in India's economic development;
- explain the problems faced by rural artisans;
- identify the role of the Khadi and Village Industries Commission;
- identify the distinctive features of agro-based industries; and
- explain the role of the government in rural industrialisation programme.

8.1 INTRODUCTION

Animal husbandry, dairy farming, poultry farming, fisheries, and forestry constitute the allied activity sector of crop farming. In the preceding two Units we have examined different aspects of the allied activity sector. Along with allied activities, the development of rural industries including agro-processing activities is essential for development of agriculture itself, particularly when 75 per cent of the operational holdings are of an average size of 1 hectare. Consequently, majority of the cultivators require supplemental income to rise above the poverty level. Rural industries serve as a good alternative to agricultural income. We will examine the nature, character and present state of rural industrialisation in this Unit.

8.2 NATURE OF RURAL INDUSTRIES

Rural industries embrace all industries which are run by rural people in or near their homes as a spare-time or whole-time occupation. These are based primarily on the

utilisation of locally available raw materials, skill and small amounts of capital. Many of the rural industries are operated as a traditional profession.

Rural industries can be broadly classified into three groups, viz., (1) cottage industries, (2) agro-based industries, and (3) small industries.

- 1) **Cottage industries:** These are generally associated with agriculture as a part-time or whole-time occupation in rural and semi-urban areas.
- 2) **Agro-based, agro-processing industries:** These industries are based on the processing of agricultural produce, or are linked to the input needs of agriculturists. Rural agro-based industries are generally organised either on cottage or on a small-scale basis.
- 3) **Small-scale industries:** These industries are owned by persons with enough means for their own subsistence, though not always sufficient to run the industrial units on a profitable level. Small industries are distinguished from large industries by including under the former those industrial units which employ capital valued at less than Rs.1 crore. Most of the small industries situated in the rural areas are what can be identified as 'tiny' industries. In official jargon, these are those units that employ a capital of less than Rs.25 lakh.

8.3 ROLE OF RURAL INDUSTRIES

Rural industries have a crucial role to play in the rural economy of India, as would be clear from the brief description given below:

- 1) **Employment potential:** These industries provide the maximum employment per unit of capital invested; the labour-capital ratio in these industries is higher than in large-scale industries. In a country where labour is surplus and capital scarce, it is only to be expected that the production process should be decentralised and should be divided into smaller units.
- 2) **Local availability of raw materials:** Most of the raw materials required by these industries are available in the rural areas. If the production process can be carried to the villages, transportation expenses will be minimum. Also, in the rural areas many of the resources still remain unexploited, by establishing these industries, such resources will be utilised.
- 3) **Economic equality:** These industries, by increasing employment among the rural masses, lead to an increase in their purchasing power which at present to a large extent is confined only to urban areas. The decentralised structure can pave the way for an equitable society.
- 4) **Problem of agricultural labourers:** These industries can solve the problem of landless agricultural labourers by providing employment to them at their own places during the on-season in the form of off-farm employment and during off-season in the form of whole-time job. This would create, on the one hand, employment opportunities for the unemployed and the underemployed agricultural workers and on the other it would supplement the meagre income of the rural population.
- 5) **Mobilisation of savings:** Savings of people remain idle because of lack of proper financial institutions in villages. On the contrary, these are frittered away in unproductive consumption and unnecessary litigation. These can be invested in productive channels if rural industries are established.

- 6) **Improvement in the standard of living:** Indian villages have so far remained very backward. These industries will raise the standard of rural masses by the following processes: (i) by providing employment to rural workers in their own homes; (ii) by offering consumer goods at comparatively cheaper rates; and (iii) by encouraging the construction of social and economic overhead capital such as roads, and electricity supply, and establishment of educational and financing institutions, etc. In this way, these industries are helpful in the all-round development of our villages and thereby of the masses of the entire country.
- 7) **Other advantages:** These industries will save us from many evil effects of industrialisation such as pollution, over-urbanisation and associated evils of urban life.

These advantages of decentralised rural industries had been recognised as early as in the Industrial Policy Resolution of 1948, and have been reiterated in every subsequent policy statement.

Check Your Progress 1

- 1) What is a village industry?

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- 2) Examine the importance of village industries in the rural economy of India.

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8.4 RURAL ARTISANS

The population of rural artisans in India has been estimated at about 85 million. Rural artisans are found in traditional activities such as carpentry, goldsmith, weaving and masonry as well as in activities adjunct to modern mechanical electrical industry such as radio repair work, welding, automobile repair work and so on. Most of the artisans produce goods for household use. In a number of cases, these goods are of high aesthetic quality. As new skills are acquired, they may also perform certain functions approximating the servicing and maintenance of durable consumer goods. Encouragement to this class of producers results in important benefits to the economy in the form of additional output and employment.

8.4.1 Main Features of Rural Artisans

The main features of rural artisans are :

- i) One of the main features of rural artisans is that their operations involve hardly any large-scale mechanised application.
- ii) They attend to work personally.
- iii) They do not generally hire any labourer outside their families for helping them in their business.
- iv) They usually cater to customers of given tastes and preference and with some exceptions to markets of limited size.
- v) They generally do not work in any fixed premises (workshops, etc.).
- vi) Their scale of operations mainly hinges upon the availability of raw materials. It is a normal practice with small artisans to purchase raw materials with the help of the sale proceeds of their products of the earlier round of production. Otherwise, at times, they purchase raw material with the help of the money given to them as 'advance' either by customers when placing order for goods or intermediaries who sell the goods of artisans to traders or final consumers and make profits.
- vii) In view of the comparatively low staying power of artisans, availability of funds on reasonable terms is crucial for them to run the normal course of business.

In short, average assets and value-added per unit by rural artisans is very small. A large proportion of those engaged in these pursuits are living below the poverty line.

8.4.2 Problems of Artisans

The major problems of artisans are :

- i) For most artisans, procuring raw materials is fast becoming an uphill task. With the forest resources becoming scarce, the problem is compounded.
- ii) The marketing of the artisans' products leaves much to be desired. It is exploited by a long chain of middlemen who perform little productive functions.
- iii) Artisans, specially the small artisans, have been denied for long an access to institutional sources of credit.

These problems of artisans could have been easily taken care of by a well-organised network of co-operatives. But many co-operatives set up in different states with the avowed purpose of helping artisans have become defunct or are in process of becoming so. Many of the co-operatives have demonstrated poor management skills and lack of dynamism. Similarly, many of them are marred by a marked propensity to function as independent units for individual gain rather than for common benefit. The overwhelming influence wielded by proprietary establishments has also proved detrimental to the co-operative movement.

8.5 KHADI AND VILLAGE INDUSTRIES

Mahatma Gandhi called for the use of khadi in 1920 primarily with a political intent to boycott foreign goods in general and cloth in particular. It was expected to provide an opportunity to every person for self-discipline and self-sacrifice as a part of non-co-operation movement. Since then the conceptual approach and the consequent institutional framework has undergone a series of changes based on the actual experience and experiments. In the process khadi has pervaded the entire socio-economic and political structure of India.

The various facets of Gandhiji's concept of khadi – 'the sum of the whole industrial system' – can be summed up as follows:

- key to Swaraj,
- means of mass education,
- link between people of different classes,
- symbol of dignity and manual labour,
- means for securing more even distribution of means of living,
- check of drain of wealth to foreign countries,
- an occupational therapy for physical illness afflicting the West,
- emblem of non-violence,
- for international peace, and
- an instrument for village reconstruction.

On the institutional plane, the programme was implemented through the trusteeship concept and co-operative endeavour which brought into sharp focus the non-profit making and non-exploitative characteristics. Emphasis on providing living wage was also introduced subsequently.

The above basic concepts of khadi and village industries in the national economy continue to be valid even now. With the launching of five-year plans, probably for the first time, an effort was made to view the difficulties and problems of development of village and small-scale industries from an all India angle and in an integrated manner. The general approach was one of rehabilitating these industries as to provide the rural population with additional employment and opportunities of supplementing their incomes.

Khadi and Village Industries Commission (KVIC)

On the organisational side, the establishment of six All-India Boards was an important step for planned development of village and small-scale industries. They were set up with a view to formulating, guiding and to an extent implementing co-ordinated programme for development of small-scale industries, handloom industries, khadi and village industries, handicrafts, coir and sericulture.

The All India Khadi and Village Industries Board was transformed into the Khadi and Village Industries Commission by an Act of Parliament on April 1, 1957.

The primary functions of the KVIC were generally to plan, organise and implement programme for development of khadi and village industries. The KVIC has a schedule of industries to be promoted by the Commission.

The functions of the KVIC are wide and varied. It keeps a reserve of raw materials and improved implements and supply them at economical rates to the artisans. The objective is to improve the technique of manufacture and quality of the products. Secondly, it provides a suitable organisational base for wider marketing of the artisans' products. The patterns of assistance and institutional framework for implementing the programme, which are mainly done through registered institutions and co-operatives, suit the requirements of and provide work opportunities to the poor families at or near places where they reside.

There has been emphasis on technical improvements in the traditional implements used by the rural artisans to: i) increase their productivity, ii) improve the quality of products, and iii) enhance their earnings without displacing them from their occupation. As a result of intensive laboratory research and field trials, a series of new machines, equipment and implements, power-operated or otherwise have been evolved and are

being introduced on a wider scale to reduce the cost of production, improve the quality of products and hence the productivity and earnings of artisans.

The KVIC has been a pioneering agency in inducting intermediate as well as appropriate technology in the countryside. Six and twelve spindle, new model charkhas, semi-automatic locks, paddy de-huskers, gear shellers and rice polishers, small solvent extraction plants, irrigation pipes, leather goods, manufacture of muslin (finer counts) khadi reviving the memories of “Dacca Muslin”, modern scientific methods of bee keeping, installation of bio-gas plants for providing energy and enriched manure are some of the landmarks in developing and popularising improved technology in different industries under the purview of the KVIC.

Thus, in our country where even after five decades of planned development more than one-fourth of the population are living below the poverty line, the level of employment and earnings provided in the khadi and village industries sector is contributing in a very significant way for bringing this category of persons above the poverty line.

Check Your Progress 2

- 1) Examine the main features of rural artisans in India.

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- 2) What are the problems being faced by rural artisans in India?

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- 3) Examine the importance of khadi and village industries in the rural economy of India.

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8.6 AGRO-BASED AND AGRO-PROCESSING INDUSTRIES

Agro-based and agro-processing industries in rural areas constitute the small-scale industry sector in the rural economy.

These industries provide a crucial link between agricultural and industrial sectors. In recent years, these industries have attracted the attention of economic thinkers, NGOs, policy-makers and the government alike. This is a major development in that it will lead to major initiatives in improving efficiency in various agro-based industries and explore prospects of further growth.

There are numerous activities which belong to the broad group of agro-based industries. These relate to food processing, vegetable oil production, horticultural products, dairy and livestock products, fish and fish products and consumer goods. Each group of the activities comprises a long list of items. For example, food processing alone comprises 29 items or so.

8.6.1 Definition of Agro-based Industries

The agricultural sector provides raw materials to various industries. For example, it provides raw material to sugar industry, textile industry, jute industry, rubber industry, tea, coffee, etc.

Conventionally, an agro-industry is considered as an enterprise that processes agricultural raw materials. The Agricultural Credit Review Committee of the Reserve Bank of India, popularly known as the Khusro Committee defines agro-processing industries as follows:

“Agro-processing industries would be those which use not less than 50 per cent of the raw materials from agriculture and where the value-added as a result of the processing undertaken is not more than 50 per cent of the final value of output.”

The Committee has classified agro-processing industries in to three broad heads:

- Crop production,
- Wood production, and
- Livestock production.

Each of these categories has a number of sub-categories and they are re-grouped into:

- Food processing, and
- Non-food processing.

8.6.2 Distinctive Features of Agro-based Industries

- i) The agro-based industries account for about 39 per cent of all the industries in the factory sector; the proportion of food and non-food industries being 18 per cent and 21 per cent, respectively.
- ii) The agro-based industries have only 11.63 per cent share in total fixed capital. An average agro-based industry has a fixed capital of only Rs.17.7 lakh per factory as compared with Rs.86.2 lakh per non-agro-based industry.
- iii) An agro-based industry on an average has utilised Rs.16.2 lakh by way of working capital per factory as compared with Rs.35.2 lakh by the non-agro based industry.

- iv) The agro-based industries account for 36.46 per cent of the direct employment created by the factory sector; it brings out the labour intensive and capital saving character of these industries.
- v) The number of persons employed per factory in the agro-based industries is only slightly less than the number of labourers employed by a non-agro based industry.
- vi) The agro-based industrial sector accounts for 26 per cent of the total output and 21 per cent of the net value added of the total factory sector. The percentage share of the food and non-food industries is almost equal, i.e., about 13 per cent of the total output produced by the factory sector.
- vii) As compared to agro-based industry, non-agro-based industry needs a little more than three times of capital to generate direct employment for one person, i.e., total capital per employee in the non-agro- based industry is Rs.1.55 lakh as compared with only Rs.48 thousand in the agro-based industry. In a labour surplus and capital scarce economy the policy implications of these capital labour ratios are quite obvious.
- viii) Agro-based industries are relatively more working-capital oriented as indicated by a higher proportion of working-capital in the total capital as compared with non-agro-based industries.
- ix) Capital productivity as measured in terms of net value added per unit of fixed capital in agro-based industries is twice as much when compared with non-agro-based industry. One rupee of capital invested in agro-based industry on an average generates net value added worth 70 paise as compared to only 35 paise in the non-agro-based industries.
- x) Value added per person in the agro-based industry is about 46.8 per cent of the corresponding value for the non-agro-based industries. In terms of average value of output per employee, the agro-based industry is not very far behind the non-agro industry.
- xi) Labour as a factor of production has a larger share in the total value added of agro-based industry even though an average employee in these industries gets lower emoluments compared with those employed in the non-agro-based industries. To the extent a rural labour gets an employment nearer in rural areas, the real worth of the lower emoluments would be certainly larger as compared with the same amount earned outside the rural areas.

8.6.3 Prospects of Agro-Processing Industry

The agro-processing industries assume importance in India from economic development point of view. The developmental value can be understood from their suitability for the generation of income and employment in rural areas particularly for those sections of the rural society whose resource-base is poor.

It is because of this potential that the KVIC has identified 96 activities which can be taken up as village industries. These include the following:

- Processing, packing and marketing of cereals, pulses, spices, condiments, etc.
- Palm gur making and other palm products industry,
- Manufacture of cane gur and khandsari,
- Bee keeping,
- Fruits and vegetable processing, preservation and canning including pickles,
- Ghani oil industry,

- Fibre other than coir,
- Collection of forest plants and fruits for medicinal purposes,
- Processing of maize and ragi,
- Manufacture of pith mats and garlands, etc.,
- Cashew processing, and
- Leaf cup making.

Agro-processing relates essentially to six areas/groups of activities. These are:

- Primary food processing,
- Vegetable oil processing,
- Horticultural products,
- Dairy and livestock products,
- Fish and fish products,
- Consumer goods/processed foods.

Each of these groups comprises a wide range of products, produced through processing.

1) **Primary Food Processing**

Primary food processing by far is the most significant activity among those related to agro-processing. Activities such as rice milling, flour millets and pulse processing form the major components of primary food processing. Among these activities rice milling has expanded significantly. A large number of rice mills have come and rice has now become a major item of export. The demand for Indian basmati rice abroad is stable and, therefore, there is a considerable scope for expanding this activity. Rice milling as an agro-based industry has matured over the years. The systems and procedures for financing installation of rice mills, seasonal working capital requirement and channelising the commodity for exports have been streamlined.

The rice milling community is fairly aware of the guidelines for obtaining credit and meeting export requirements.

The other activities in the group of agro-based industries are relatively less developed.

2) **Vegetable Oil Processing**

Vegetable oil as a medium of cooking has a large domestic demand. Traditionally, groundnut, rapeseed, mustard and coconut have been the major source of vegetable oil.

However, lately two new oilseed crops namely soybean and sunflower have been introduced. Sunflower has been introduced with limited success. Soybean has emerged as a major crop and has given boost to vegetable oil industry.

A notable feature of the growth of vegetable oil industry is the strong tendency among the vegetable oil producers to approach capital market. A large part of credit needs of oil industry, therefore, is being met through capital market. However, expansion of industry in this manner will have its own cascading effects on the demands for agricultural credit. The farmers will require new crop loan limits and also enhancement in the existing credit limits due to rise in prices of fertilisers. As the land holdings of the farmers going in for soybean are relatively large the credit needs would be relatively large. A separate scale of finance for the new regions adopting soybean should be evolved so as to adequately finance farmers going in for soybean and sunflower cultivation.

3) Horticulture Products

The government has been paying increasingly more attention to the development of the horticultural products. Nine commodities have been identified for this purpose. These are: mango, grapes, banana, vegetables, onions, okra, kukurbits, asparagus and flowers. The basic emphasis in the development programmes is on increasing the production for tapping the international market. In this context, the agro-processing industries would find their role in the following manner:

- Enhanced export in the fresh form would create need for certain essential processing operations for improving the shelf life, preservation and transportability.
- To the extent all commodities cannot be exported in the fresh form, it would create the need and scope for domestic agro-processing industries for the surplus production.
- Some commodities would find a better market and higher returns if they are exported in the processed form and hence the entrepreneur will be naturally tempted to manufacture certain ready-to-consume processed products.

For horticultural products, it would be in the fitness of things to launch pilot projects. The pilot projects should be in the nature of selecting a crop, identifying the areas and selecting farmers for financing them.

4) Dairy and Livestock Products

Dairy is one activity in which India has a distinction of evolving new technologies on one hand and successfully adopting the existing technologies on the other. In fact, milk is one unique commodity which has a tremendous potential for processing activities of various degrees. Now the consumption of processed milk in liquid form has become an accepted practice in India. The processing of milk for manufacturing a variety of milk products both of indigenous type and also of exotic form is a prominent agro-based industry. India has developed successful models of development by using dairy farming as an agent of socio-economic change. The examples of such a development process being initiated through dairy farming are provided by Kaira District Milk Producers Union (AMUL) in Gujarat and Varana Dudh Sahakari Sangh in Maharashtra.

5) Fish and Fish Products

Though India has a large Exclusive Economic Zone of more than two million square kilometres capable of producing 415 million tonnes of fish annually, at present a little over 30 per cent of the known resources are being exploited. This indicates that there is good scope for its development.

Aquaculture has become extremely important for India in view of the burgeoning demand for shrimps in Japan, USA and other developed countries. The scope of increasing shrimp production through capture fisheries is limited. Estimates for exports of shrimps vary. India has already achieved a level of Rs.4,500 crore in exports of shrimps and shrimp products along with other fish products.

There is scope for developing aquaculture in maritime states of Gujarat, Maharashtra, Karnataka, Kerala, Tamil Nadu, Andhra Pradesh, Orissa and West Bengal.

6) Consumer Goods and Processed Food

Under this category, demand for processed food is expanding. India has a very large population of middle income group. Moreover, acceptability and taste for

ready-to-consume processed food items are going up at a fast rate. This indicates that over a period of time the consumer food processing industry is likely to increase its share in the total industry sector.

With the rising demand for quality food and government emphasis on increasing export through the agricultural sector, the agro-processing industries will become a major group of activities. Foreign investment is coming in a big way in this sector.

Check Your Progress 3

- 1) What is an agro-industry?

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- 2) State the distinctive features of agro-based industry in India.

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- 3) Highlight the prospects of primary food processing industry in India.

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8.7 PROBLEMS FACED BY RURAL INDUSTRIES IN INDIA

Major problems being faced by rural industries in India are as follows:

- 1) **Low Technology:** Low technology base has been one of the major constraints in the growth of rural industries. This constraint has been pointed out in our plans also. Measures have been initiated by organisations such as KVIC to improve the technology so that:
 - the cost of finished products could be brought down by improving productivity,

- quality and marketability of products could be improved,
- drudgery of workers could be reduced, and
- the earnings could be improved.

These efforts have yielded results. Noteworthy among these are: i) the development of six and twelve spindle, new model charkhas (which came in a big way in offering fuller employment to the spinners), ii) the technology to process non-edible oils for manufacturing soaps that are economically competitive and qualitywise appealing, iii) development of power driven ghani, iv) power operated Shiela wheel for potters, v) the LYMPO technology which enables the manufacture of cement at village level that could substitute the portland cement in several uses, and vi) mixing of polyester fibre with natural fibres for manufacture of blended khadi fabrics. The recent improvements of cottage charkhas for silk reeling and the Trivedi reeling machine for tussar silk, scientific processing of flaying and tanning and meat meal preparation at the manufacture level, and manufacture of corrugated roof sheets out of coir waste are some other examples.

What is, however, causing concern is that though these improvements have tremendous potential in speeding up the growth process of these industries, their development has been rather slow. This apart, many technologies still remain in the laboratories and R&D bodies for want of adequate organisation, infrastructure, manpower and resource support. There is an urgent need to disseminate these technologies to targeted beneficiaries.

There are also certain areas where adequate R&D attention has not been provided to technology upgradation. For example, the rural housing technology (which is greatly in need and has incredible potential in creating rural industrial base) and the processing of a number of fruits and vegetables. The present R&D network relating to these technologies is very weak and feeble.

It is necessary to build an all India organisation on the pattern and magnitude of the Indian Council of Agricultural Research. Under its guidance national institutes of R & D for every rural industry with potential should be organised.

Extension has been one of the often forgotten and least attended functions. The present extension work is very poor. At the block level there are less than eight hundred extension workers to take care of rural industries. Even at the rate of three per block, there is a need for over 15,000 of them. We have achieved a good score in improving and disseminating the agricultural technology during the last five decades. We need to do the same for rural industries now.

- 2) **Credit:** Credit is one of the major requirements of rural artisans and entrepreneurs. Their resource base being very poor their dependence on credit is crucial. Yet they do not have an easy access to credit.

Till recently, the volume of credit a rural artisan/entrepreneur could get was determined by his credit-worthiness. In 1971, institutional agencies provided only 5 per cent of the borrowings of rural artisan households. They depended on moneylenders, landlords and traders for over 70 per cent of their borrowings.

During the last three decades with the policy change in lending to priority sectors, the banking system has no doubt shown some improvement in this respect.

The Differential Rate of Interest Scheme for rural artisans, the composite loan scheme for entrepreneurs in rural areas and the NABARD scheme for handloom weavers reflect this trend. At the apex level, these schemes are designed to comprehensively serve the credit needs of the rural industries.

However, results down the line are not that encouraging. For instance, the institutional coverage of artisans is still very insignificant. Against the total estimated credit requirements of Rs.9,750 crore, hardly Rs.100 crore have reached rural artisans, i.e., around 1 per cent. The NABARD's scheme of handloom finance too covers only about 32 per cent or so of the weavers. The rest of the weavers depend on master weavers and other private sources.

Against the backdrop of the changing economic context the credit needs of the rural industries are becoming more compelling because of the necessity to adopt improved technology, increased difficulties in procuring inputs and in marketing the end products. Therefore, the system of institutional finance has to take up increasing responsibility in serving rural industries.

- 3) **Raw Materials:** The source of raw materials for several rural industries, by and large, is the rural sector itself. However, these industries have been facing severe constraints procuring their inputs. Increased commercialisation of the economy, growth of high technology urban industries based on rural raw materials (for example, leather, splints and veneers, bamboo, non-edible oils and wool) have caused the local artisans and entrepreneurs to lose their input market to the urban industries.

The intermediary processing of many agricultural products has shifted to urban markets. In this way, these inputs become expensive and literally prohibitive to rural entrepreneur. He does not get them at a price that he can afford to pay. For example, leather worker in a village is deprived of his self-employment opportunity, as he cannot procure the urban processed leather at an affordable cost.

Modern technology and market forces thus have considerably eroded self-employment status of rural entrepreneur, so much so that he has now become a highly under-employed servicing artisan. The case of the village oil-processing man (teli) is a familiar example here.

Yet another factor that has greatly affected the rural artisan is the wide fluctuations in the prices of raw materials such as raw silk, cotton, and vegetable oils. Supply of these inputs is controlled by centralised urban markets. The availability of yarn to handloom weaver has been highly subject to the above phenomenon. Its supply has become irregular and expensive. Very often, due to non-availability of yarn, the weaver is forced into idleness. Even though some organisational measures have been initiated to help the artisan, the results are not encouraging. The weaver, for example, continues to depend on middlemen who offer him yarn on credit basis. In due course, yarn supply system has forced him to lose his employment status and become a wage earner. In most of the cases, this servicing functionary, i.e., raw material supplier has gained the status of master trader.

Hitherto, rural industries market was confined to local demand. However, due to marketisation and growing compulsion to bring down costs and retain economic viability, there has been an increasing need to expand their market horizons.

- 4) **Marketing:** For certain products, like handlooms and khadi, it has become necessary to identify and pursue particular segments of the market which have been patronising their products. This has resulted in increasing pressure on resources as well as marketing capability of rural industries.

Unfortunately, the plan to develop a national grid of marketing network for rural industries' products has not produced substantial results. The Rural Marketing and Servicing Centres, which were supposed to serve as base points at block level for the national grid, have not come into being in any big way. There are less than 400 such centres against the need for over 5,000.

With the exception of khadi and village industries and to some extent the handloom weavers who are assisted by co-operatives, several rural industries depend on the private marketing system which has been patently exploitative.

Thus, lack of proper market outlets has acted as a strong disincentive to rural industries and undermined the enthusiasm of talented artisans and entrepreneurs.

- 5) **Organisation:** Industrial activities in rural areas continues to be poorly organised. This is in spite of specialised organisational network established exclusively for each industry.

What is disturbing, even for those who are formally said to have been brought under the umbrella of these organisations, is the quality and volume of services from these continue to be limited. Further, formation of co-operatives has not brought any significant improvement in the lives of a large proportion of actual weavers. It is no wonder that sizeable proportion of weaver population refuse to see any distinction between the co-operatives and the master-weavers.

The multi-purpose District Industries Centre Programme was to serve the V&SI sector apart from helping medium and large-scale industries. If the involvement of these centres in programmes related to the rural industries is any indication, their launching has not substantially changed the position of industries. It is time that the performance of these centres in relation to the promotion of rural industries is evaluated. Such an examination would serve as a basis for drafting suitable policy changes and action programmes in future.

8.8 GOVERNMENT MEASURES OF ASSISTANCE

The fact that rural and small industries form an integral part of India's rural economy has been accepted by the Government. The Industrial Policy Resolution, 1948, and the subsequent policy statements had underlined in very clear terms the significance and role of industries in the rural economy.

In pursuance of the policy and the strategy adopted during the plans, the Government has taken the following measures to assist village industries:

- 1) **Credit Facilities:** The village and small industries sector is considered as a priority sector for the supply of institutional credit. It receives financial assistance from state governments, state financial corporations and banking institutions.
- 2) **Allocation of Raw Materials:** The small sector gets priority in the allocation of raw materials. Efforts are made to disburse scarce raw materials to rural-based industries through the agency of co-operatives.
- 3) **Technical Advice:** Technical advice and assistance to small scale manufacturers is provided by the Small Industries Development Organisation (SIDO) through its network of service institutes and extension, production and training centres. The SIDO also provides common service and tool room facilities attached to small industries service institutes and extension centres. It conducts courses in management and technical discipline.

The National Small Industries Corporation (NSIC), which was set up in 1955, operates the scheme of procuring machinery for small-scale manufacturers on a hire-purchase basis on concessional terms. It also assists the small-scale sector in processing orders from government departments and agencies. The Prototype Development and Training Centres set up with American, German and Japanese assistance at Rajkot, Okhla and Howrah impart training to persons engaged in small industries.

- 4) **Industrial Estates and District Industries Centres:** Several industrial estates have been set up all over the country to accommodate small industrial units in a more congenial atmosphere where various common facilities are provided for their smooth working.

The scheme of DICs was introduced in May 1978. The avowed objective of the scheme is to provide a 'focal point' for the development of small industries.

- 5) **Rural Industries Projects:** A centrally sponsored scheme for rural industries projects was taken up in 1962-63. Its main objective has been to evolve techniques for establishing viable industrial units in inhospitable rural environment. Another aim is to reduce disparities in the levels of development among different regions, and provide gainful employment opportunities.
- 6) **Food Parks:** As part of the strategy to develop food-processing infrastructure, the Government has been encouraging setting up of food parks in different parts of the country. The idea behind setting up of food parks is that small and medium entrepreneurs find it difficult to invest in capital intensive activities, such as cold storage, warehouse, quality control labs, effluent treatment plant, etc. Assistance for development of such facilities can make the food processing units in the food parks more cost effective and provide better market orientation.

PSUs/Joint/Assisted/Private sector/NGOs/Co-operatives are eligible for grants of up to Rs.4 crore for common facilities such as uninterrupted power supply, water supply, cold storage/ice plant, warehousing facilities, effluent treatment plant, quality control and analytical laboratory. So far 20 food parks have been sanctioned in different states of the country.

- 7) **Marketing Assistance:** Marketing assistance is provided by the government to the cottage and small industries. The various commodity boards set up by the government are entrusted with the task of facilitating the marketing of products of cottage and small industries. Besides, each state government has set up emporia and sales depots in large cities, where the products mobilised from the rural areas and small city centres are marketed.
- 8) **The Khadi and Village Industries Commission:** The KVIC is charged with the planning, organisation and implementation of programmes for the development of village industries.

8.9 IMPACT OF GOVERNMENT POLICY

After more than 50 years of experimentation, the concrete reality of rural industrialisation in India is still in the experimental stage. The responsibility for rural industrialisation is widely dispersed among various ministers and a host of developmental agencies. Although each of these agencies is urged by the government to give special attention to rural areas in the promotion of their respective industries and also have a better co-ordination with various agencies, no serious efforts have been made so far either at the central or the state level in this direction. As a result, the dictum "everybody's business is nobody's business" seems to be applicable to the area of rural industrialisation.

8.10 SUGGESTIONS FOR RURAL INDUSTRIAL POLICY

A programme for rural industrialisation should consider the feasibility of setting up the following types of industries:

- 1) **Processing of Agricultural Produce:** A number of industrial units can be created to provide full time employment to a large number of people. They can

also serve to provide supplementary part-time employment to farmers and their families. Some of the examples of such industries are processing of cotton, ginning, preparation of milk and milk products, oil extraction, jute manufacturing and extraction of sugar.

- 2) **Industries to Utilise Agricultural By-Products:** There is considerable scope for exploring the technological possibilities of utilising several agricultural by-products as raw materials for manufacturing industries.
- 3) **Development of Village Handicrafts and Cottage Industries:** The village industries can be used to manufacture not only consumer goods but also help in producing some capital goods needed by our farmers, such as ploughs, picks, shovels, and wheel barrows. Certain agricultural machinery parts or other equipment parts may be produced as per specifications in rural areas.
- 4) **Professional Services Sector:** There is a great need for rationalising the professions of gardeners, cobblers, blacksmiths and carpenters in rural areas.

A strategy to promote industrial production should be based on the following points:

- Increase the living standards of people which will call for the acceleration in per capita income on a sustained basis;
- Reduce disparities in income distribution;
- Reduce unemployment and underemployment; and
- Reduce regional inequality in industrial growth and promote balanced regional development.

In order to accelerate rural industrialisation, it would be necessary to produce a wide variety of consumer goods for local consumption such as vegetable oils, soaps, agricultural implements, cloth, certain hardware materials, etc. The rural community should be helped to reap the multiple effects of income and employment of the financial outlays on rural industries projects.

Check Your Progress 4

- 1) What is the need for establishment of food parks?

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- 2) Why is the procurement of raw material a major problem for a rural industry?

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3) What are government measures to assist rural industries?

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8.11 LET US SUM UP

The fact that rural industries form an integral part of India's rural economy was appreciated by the government none-too-late. The Industrial Policy Resolution, 1948, and the subsequent policy statements had underlined in very clear terms the significance and role of industries in the rural economy. In pursuance of this policy and the strategy adopted during the plans, the government has taken a number of measures to promote rural industrialisation programme. However, the progress of rural industry has been less than encouraging. There is a need to promote rural industry in a big way if a sizeable dent is to be made in rural poverty and unemployment.

8.12 KEY WORDS

Agro-processing industries	:	Those industries which use not less than 50 per cent of the raw material from agriculture and where the value added as a result of the processing undertaken is not more than 50 per cent.
Non-traditional items of agricultural exports	:	As against conventional items of exports of plantation agricultural commodities such as tea, coffee, rubber, and species, the export of fruits, vegetables, flowers, processed food, etc. is categorised as non-traditional items of agricultural export.

8.13 SOME USEFUL BOOKS

Dhingra, I. C., 2003, *Special and Preferred Sector Finance*, Sultan Chand and Sons, New Delhi

Reserve Bank of India, *Report on Currency and Finance*, various issues

Government of India, *Indian Economic Survey*, various issues

Planning Commission, 2003, *Tenth Five-Year Plan 2002-07*, Government of India

8.14 ANSWERS/HINTS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) See Section 8.2 and answer.
- 2) See Section 8.3 and answer.

Check Your Progress 2

- 1) The main features include use of locally available resources, low mechanisation, use of family labour and low scale of operations. See Section 8.4.1 for details.
- 2) The main problems of artisans relate to procurement of raw material and marketing of products. Availability of credit from financial institutions is another problem.
- 3) See Section 8.5 and bring out the contribution of khadi in income and employment generation, and national development.

Check Your Progress 3

- 1) While answering this question you may define agro-based and agro-processing industries.
- 2) See Section 8.6.2 and answer this question.
- 3) See Sub-Section 8.6.3, particularly the paragraph under the heading primary food processing.

Check Your Progress 4

- 1) Food parks are set up to promote food-processing industries. Certain infra-structural facilities are essential for an industry but not viable for a rural entrepreneur to set up. These facilities are provided at the food park.
- 2) The reasons for non-availability of raw materials could be depletion of forests, lack of credit facilities for purchase, and fluctuations in prices of raw materials. See Section 8.7.
- 3) See Section 8.8 and answer.