

## Rural Industrialisation: Challenges and Proposition

K. Sundar and T. Srinivasan

*Commerce Wing DDE (Directorate of Distance Education), Annamalai University,  
Annamalai 608 002, Tamil Nadu, India*

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**ABSTRACT** Village and cottage industries and agriculture sector which were accommodating rural population have been losing ground to service and industrial sector. The share of agriculture in the GDP has steadily declined from 36.4% in 1982-83 to 18.5% in 2006-07, although this sector supports more than half a billion people, providing employment to 52% of work force. The Indian economic survey 2007-08 lamented the sliding growth of food production to the extent of 1.2% during 1990-2007, lower than annual population growth averaging 1.9%. The labour force engaged in various sectors of economy in rural segment are fast migrating to urban areas which trigger poor civic amenities, high pollution, hiking urban land value, population density and so on. In this context, the paper deliberates the strategies to intensify the rural industrialisation and make suggestions for remedying the worsening conditions in urban areas.

### INTRODUCTION

Village and cottage industries have a popular role in the Indian economy due to scarcity of physical capital, unemployment and under employment, regional imbalances and disparities, inequalities in the distribution of income and wealth, unutilisation or under utilisation of rural resources. The government has accorded utmost importance for the growth of these industries through five year plans and industrial policies because of their high employment intensity. Since employment is a means to achieve growth with social justice, a number of programmes and schemes have been designed and implemented for their development since the dawn of the planning era. It will help in the redistribution of income and wealth.

Improving the quality of life for rural people is an enormous and challenging problem. Solutions to this problem are to be found within the rural areas. In essence, it comes down to generating employment, increasing income, harnessing and utilising the primary and secondary resources that the rural areas are endowed with. Diversification of manpower is required from already saturated agricultural sector to industry and secondary sectors. It has been recognised that in the long run agriculture and other land based activities, even with a high rate of growth, will not be able to provide employment to all the rural workers at adequate levels of income. Over one fifth of the rural workers are engaged in non agricultural activities. This proportion has shown a remarkable increase in

recent years. Policies are needed to be evolved to further strengthen this trend. The development of small business especially in rural segments of a viable remedy. Tiny units have been found to constitute that segment of small scale industries that is most prone to sickness or least likely to be viable.

At present, rural small scale and cottage industries comprise of handicrafts and artisan enterprises. The handicraft industry is cottage or small scale industry. Its products are artistic in nature and require individual skills and craftsmanship in the manufacturing process. The handicraft industry is a labour intensive industry, its products are of higher value added ones articles, whereas the village industry produces articles of daily use.

### Review of Literature

Desai (2007) has high lighted that poor infrastructural facilities in rural segments has been one of the factors holding back rural industrialisation in India. Sharma (2006) observed that rural financing has been one of the most neglected segments in the current context of globalization. Haynes (2005) suggested a nodal agencies to certify the quality of the products produced by village industries. Gopu (2007) viewed that unbridled growth of industries in urban areas has accentuated the regional disparities in India. Vivek Paul (2004) in his article has stated that rural industrial estates are a viable remedy to correct regional imbalance. Krishna (2003) favours framing community – oriented

curricula to promote a close interaction between education institutions and rural industrial enterprises. Jain Rajesh (2006) has stated the entire edifice of rural industrialisation concept has to be built on solid foundation of sound marketing frame work. Ragu Dayal (2008) has observed that the share of Indian agriculture has declined from 36.4% during 1982-83 to 18.5% during 2006-07 and has suggested stepping up investment in rural infra structure service to woo industries towards industrial areas and thereby checking the exodus of migrant labour. It is patently evident from the foregoing review that strengthening rural infra structure is the key to promote rural industrialisation concept

### Significance of Rural Industrialization

Panditrao (1997). as the population growth rate in India is 2.3 percent per annum, its population is expected to be above 100 crores at present and about 30 percent of the total population are below the poverty line. So Indian economy is likely to face the problem of unemployment of very high magnitude. Major crisis will begin in the rural areas. Today 60 percent of the working population comprises of agricultural labourers and they remain idle for a period of four to six months in a year, adequate employment opportunities should be explored for this population. Rural industrialization can play a significant role in this regard.

Rural industrialization becomes all the more important in view of the fact that the percentage share of agriculture to gross domestic production and the percentage of population engaged in this sector have been declining all over the world, Indian market cannot deviate from this trend. Because of saturation in the agricultural sector, there is no scope to accommodate additional manpower therein and it has further accentuated the problem of unemployment. Therefore, diversion of manpower becomes imperative from agricultural sector to industry and service sectors. Since employment opportunities in the service sector are limited, the development of industrial sector, especially in rural segment, is the only remedy. Rapid urban industrialization, might also have been helpful in this regard, but this may not be the proper way to provide employment in India, as it triggers urban migration leading to social, economic, hygiene implications.

The National commission of Agriculture

(2007) has very rightly observed that more industries must grow at a faster rate or there will be accelerated migration to urban areas leading to decay in both areas and social tensions will build up, endangering the nation. Ram (2002). rural industrialization seeks to use locally available resources and labour. Tiny cottage and village industries are best suited for rural areas.

In this background, the following issues which are likely to be addressed in the noble task of rural industrialisation are deliberated.

## DISCUSSION OF ISSUES AND STRATEGIES

### 1. Formulation of Rural Industrial Policy

Rural Industrialisation means encouraging location of large and small scale units away from urban areas or planned shifting of units from urban areas to rural areas. But it is not likely that the existing urban industrial structure can be disturbed. Therefore under rural industrialisation concept, the state should encourage industrialisation in rural areas on a massive scale. It is immaterial whether it is small, village industries or large scale industries. A comprehensive policy should be so evolved that industries are encouraged in rural areas hereafter. A vast reservoir of rural resources should be harnessed. Govt. should create full fledged infrastructural facilities in rural areas before initiating efforts in this direction. Rural industrialization aims at all-round development of an area as well as people living in such areas. This can be realized only through systematic adoption of improved technology. There should be a harmony among primary sector, secondary sector and tertiary sector in rural industrialization. The focus of rural industrialization should be alleviation of rural poverty by creating wide employment opportunities in rural sphere. At present, there is no policy directive on rural industrialization. A number of Govt-sponsored programmes like Khadi and village industries, Hand loom, sericulture, coir, IRDP, DPAP, PMRY, DRIP, DAAP, Artisan employment guarantee programme are in vogue.

These programme have different set of objectives, pattern of organization, and system of assistance. The focus of these schemes is either to develop industries or to develop target group but not to promote rural industrialization. Patel (2004) is of the view that lack of coordination among the various poverty alleviation

programmes contributed least to the fight against poverty and unemployment in rural horizon. There is no coordination among these programmes. This has affected concerted action in the implementation of rural industrialization programme. In other words, Central Govt plays a leading role in certain programmes and State Govt act an implementing agency of Central Govt. In certain schemes State Govt. play a leading role while institutional financing agencies dominate in some states. Therefore confusion arises as to who is accountable to whom. Manon (2007) has observed in his article that too many schemes, too many government agencies dual governments, high leakage of financial assistants and role ambiguity made little impact on abject rural poverty and growing rural unemployment. A clear-cut policy for rural industrialization is to be evolved which should address the likely pitfalls in the road to rural industrialisation.

## **2. Reversal of the Trend - Towards Decentralization**

Rural industrialization is indubitably a noble idea. While the economic development has gone so far towards capital intensive industrialization, centralization and high degree of unplanned urbanization, very exercise of evolving policies and undertaking efforts towards decentralization and rural industrialization seem to be irrelevant in today's context of liberalization. It is doubtful whether the present Govt would have political will and pursue rural industrialization and decentralization. In other words, open economy presupposes non-invention of Govt. while successful rural industrialization warrants state intervention. Therefore the issue is how to reconcile these two diametrically opposite view points.

## **3. Multiplicity of Technologies and Reservation of Industries**

Existence of plurality of technologies in every field is threatening rural industrialization. For example we have hands spinning, as well as power-spinning and hand loom and power loom, weaving. This diversity is found in food processing, building materials, leather goods, soap making carpentry and blacksmithy, paper making, food preservation and processing and

so on. Large units that use state-of-the art technology produce goods on a mass scale. This sector is producing goods of necessity to meet the demands of growing population and for satisfying the urge to improve standard of living and quality of life while small scale industries not only produces but also provide employment to a significantly large number of people and create purchasing power in the economy. Ganesan (2006) Small scale units in Cuddalore districts proved to be a boon to rural and village artisans in Cuddalore district and it has created 8978 jobs in 1428 units and contributed rupees 10,282 crores worth export during 2005 and 2006. This shows the potential of rural and village industries in fighting poverty and unemployment. There is no question of accepting one and rejecting the other. Both have to be supported and conditions are to be created for their sustained development. While small scale industries as well as large scale industries engage in the production of similar items, a conflict arises as to which industry needs to be supported. The large scale industries contribute to massive production, decrease employment opportunity due to automation and finally lead to unplanned urbanization, ecological and environmental degradation while rural industrialisation generates more employment opportunities for the rural masses and brings all its attendant advantages to the rural scenario. So far as India is concerned, rural industrialization cannot be ignored as something irrelevant in today's context. Thus choice of technology is crucial issue. The following approach is recommended for deciding as to which industry is to be encouraged where.

- Large scale industries which use state-of-art technologies may be encouraged in certain productive activities that call for sophisticated technology, eg. construction, infrastructure industries, shipbuilding, railways, power sector telecom and the like.
- Rural industries that use local technology may be encouraged in certain areas where human skill plays a predominant role. Eg. handicrafts, coir, embroidery, carpentry, blacksmithy, pottery etc.
- Ancillary type of industries may be encouraged in certain sectors like automobiles, Healthcare, electronics, drugs, chemicals etc.
- Both small as well as large scale industries may be allowed in certain areas where both can co exist. The areas of production are to be

clearly demarcated in term of demand feasibility employment generation, production capacity. This exercise would solve the twin problems of employment generation as well as larger production.

- Reservation of certain areas exclusively for SSIs would be effective if areas are properly identified. On reserving the areas exclusively for SSIs, certain issues such as quality standards, production capacities, price subsidy and so on, need to be addressed in a clear-cut terms.

#### 4. Nature of Employment

As for nature of employment, it is to be decided as to the type of employment suited for promoting rural industrialization. There are several patterns of generating employment in rural areas. They include self-employment, wage employment in industrial units, wage cum self employment and establishment of rural industrial estates. Each of the above method has its own merits and drawback. Alagappan (2004) who studied employment pattern in rural industries located in Keeralapalayam panchayat concluded that wage cum self employment pattern of wage payment proved to be effective. Therefore the pattern of employment generation is to be decided after weighing the relevant factors dominant in each pattern of employment generation.

#### 5. Organizational Difficulties

Rural population being highly scattered and unorganized, organizing and institutionalizing the activities of rural population and proving work on a regular basis are really challenging task. Either work is to be provided by the units to them to be done at their residence or industries are to be started in the rural areas in order to bring them into an organized entity. Some of the efforts undertaken by the Govt. in the past have not made any perceivable impact on the employment generation in rural India. Industrial co-operatives were started with the mission of rural industrialization for different crafts in pursuance of the recommendation of Karve committee 1955. These societies mobilized the scattered rural skill to a certain extent. But it failed in its re-mission. As these societies could not ensure regular employment and provide fair wages, members were withdrawing from the societies. As a result most of the societies remain currently defunct.

Another experiment done was formation of multi purpose block level co-operatives by Govt. of Maharashtra. These societies ended up becoming mere credit societies. Mere provision of credit could not promote rural industrialization.

Third experiment was formation of institutions under societies Registration Act 1860. This type of institution was started by Khadi. This entity is currently thriving due to Govt. patronage. Management and workers assume significance in these institutions. Since the societies can not afford to pay good pay scales, it can not get a team of talented, experienced and capable administrative staff. Therefore it suffers on administrative front. Paying higher pay scale would result in increasing the final cost of the product and the consequently, the State would have to come forward to support them. Besides there is a need to evolve a separate labour code for unorganized rural labour since the present labour laws are oriented towards organized sector. Maran (2007) has suggested evolution of labour code for unorganized rural workers for improving the living standard of working masses in rural areas. In this background, it is suggested that the unorganized rural work force may be converted into organized force through self - help group. These groups may be financed either directly by banks and institutions or through voluntary agencies or through Non-Govt. organizations. The State has to put in place a marketing structure for marketing the produce of self help group on a massive scale. Thus organization of unorganised work force through self help group mechanism appears to be a viable solution.

#### 6. Technology Gap

While organized industry is fast upgrading its technology. There is no technology up gradation in rural industries. Around 60 per cent of artisans are still carrying on their traditional occupation in a primitive way. National Research and technical institutes have done little for the village industries. Infact there is more urgent need for R & D in rural industrial sector. Other wise, it is likely to be irrelevant and obsolete. The fact that still large number of artisans carry on the work in most antiquated methods highlight the failure of transfer of technology. This discourages new persons entering into this occupation cutting across the caste barrier. Therefore mechanical and engineering talents have to develop suitable

technology which would be modern and efficient and which would absorb greater number of people in work.

In this context Sushil Kumar (2005), it is pertinent to mention the efforts undertaken by IIT Delhi and Mumbai recently. The former developed looms, hand tools washing and drying plants, embossing machines trimming and moisture measuring devices for use by the weavers in the carpet industry and organized awareness programme to promote new technologies among them. So far 500 weavers were trained in the various carpet belts. Training cum awareness programme is still in progress. Further about 500 looms and 1000 tool kits were distributed to weavers at subsidized price. IIT Mumbai developed tools and technologies for processing of bamboo and cane. About 400 sets of improved tool kits have been fabricated which were distributed to artisans at the subsidised rate in North - East and Kerala. Indian Institute of carpet technology has been training the carpet designers in Computer-Aided-Design application, colour matching and testing equipments.

The efforts of similar nature should be undertaken by Technical Universities Specialised Institutes for different crafts and other Industrial Technical Training Institute and the like. This would help the artisans shed antiquated production practices and embrace modern production practices.

Planning commission ought to earmark adequate funds for promoting research endeavours in rural industrialization. A mechanism ought to be put in place to fund directly the research endeavours directed towards technical up-gradation of rural and village industries.

### **7. Promoting Managerial and Entrepreneurial Skills in Rural Entrepreneurs**

Managerial inadequacies are one of the reasons for the failures in decentralized industrial sector. There is a need to equip village artisans and their institutions with new except of entrepreneurship and managerial skills. Proper training is to be arranged for village artisans to develop their managerial and entrepreneurship skills. Banks and development institutions should conduct entrepreneurship courses for students from the rural colleges and for the rural artisans. They need to be enlightened on various skills of management. In other words there groups need

to be enlightened on rudiments of entrepreneurship and management of the units. Baljith Singh (2003) emphasized the role of higher educational institutions functioning in rural areas in spreading entrepreneurial awareness through establishment of entrepreneurial cell.

### **8. New Definition for Small and Village Industries**

Several attempts have been made to define village industry. Khadi Village Industries Commission proposed a definition in terms of per capita investment. Still identity crisis persists. The definition given for tiny industry during 1979 could not suit for institutional village industries since the total investments in such units were more but per capita investment were less. Papola (2002) favoured re definition of small, medium, cottage and tiny industries

A clear definition for village industry is to be evolved in the context of globalisation. The factors such as per capital investment, eco-friendliness, degree of manual effort involved in making the product, non-conventional energy used, ability to provide work at residence, value-addition, conversion of waste into wealth, level of energy required, high nutrition, purity, flavour, suitability to Indian context, women participation, absence of child labour etc. may be some of factors which should be considered on defining 'village and small scale industries'. Since these industries enjoy a lot of financial and fiscal privileges, a clear definition is warranted so that privileges go directly to deserving ones.

### **9. Role Clarity**

The Central Govt. took up certain industries like coir, sericulture, handloom, Khadi and handicrafts as central schemes the implementation of which was left to State Govt. In other words, Central Govt. provided funds, fiscal concession and policy support to these industries. The State had to take care of implementation and to ensure infrastructure support like water, electricity, road work shed and communication to units located in rural areas. The State Govt. being passive partners did not evince any interest in promoting these centrally sponsored schemes.

It is suggested that the Union Govt. should take up both funding as well as implementation of the projects for centrally sponsored schemes.

Similar should be case for state sponsored schemes. Further the role of various facilitating agencies like banks voluntary organization, KVI board, Govt. Departments Central and State Govt. development organizations should be clearly spelt out in no unambiguous terms in promoting the rural industrialisation.

### 10. Credit Gap

It is observed that most of the rural industries are starved of financial resources. Ranga Rao (2007) empirically proved the apathy of commercial banks towards rural credits ever since our country followed globalization path. He further stated that the loan waiver is the price paid by the Govt for the neglect of the rural sectors. The public sector outlays are hardly one per cent and institutional credit is negligible. Therefore it is necessary to continue to provide concessional credit to encourage rural industrialisation. As suggested earlier, Govt. has to redefine small scale and village industries for concessional financing and other privileges from financing agencies.

### 11. Marketing Infrastructure

Rural industrialization would be a total fiasco sans sound rural marketing infrastructure. As long as rural products do not enter the normal supply chain, their products cannot enjoy a good market. Some sort of network should be created for marketing the products of village industries. Where Govt. departments buy their requirements from the rural marketing mechanism, half of the marketing problems of rural industries would be solved. Chellappan (2006) in his article has appealed to the Govt of India to patronize the products produced by self help mechanism and this would serve as a head ache balm to give an eternal relief to rural enterprises. At present rural bazaars have been set up at District Head Quarters for marketing the output of self-help group entities. Besides, Govt. may set up some sort of permanent marketing structure at each district which may collect rural products from various units and supply to final consumers through various fair price shops, consumer co-operative societies. Efforts should be made to have a permanent retail stall in local shanties and pilgrim centres and participate at festival gathering to market rural products. Govt. may think of

establishing rural departmental stores or rural malls in districts. The rural products may be branded by the Govt. and certified for its quality and franchises may be given for marketing the products of rural enterprises like the KVI organizations do. It may offer credit facilities to salaried class against the post dated cheques or through pay deduction. It may accept credit cards and debit cards to boost sales from stable income segment. Govt. has to propagate and publicize the products of rural industries in their own media like AIR and DD and News reel.

### RECOMMENDATIONS

The following are the recommendations.

- A comprehensive rural industrial policies addressing various issues and challenges faced by rural enterprises need to be evolved.
- Reservation of certain industrial activities should be made exclusively for rural industries
- Industries of labour intensive nature need to be patronized in rural areas.
- A separate labour code for unorganized labour need to be evolved.
- The unorganized work force has to be transformed into organized one through self help mechanism.
- A close rapport between technical educational institution and rural industries need to be created to help the latter to improve productivity, quality, technology and so on.
- Higher educational institution may take upon the task of spreading entrepreneurial awareness among the rural masses through entrepreneurial cells.
- There is a need to redefine small, medium and tiny industries in current context for getting various concessions and privileges from the Govt and financing agencies.
- The role of central and state Govt in promoting rural industries should be demarcated.
- Financing agencies of different types may continue to support the small and tiny industries as a part of their social obligation.
- Govt should ensure marketing support to rural industries by advising the Govt departments to compulsorily buy the requirements from rural industries.

### CONCLUSION

Initially, Indian village industries enjoyed self-

sufficiency. However, the gradual increase of machine made cheap consumer goods restricted the growth of rural industries and thus created unemployment. With agriculture having little capacity to absorb surplus labour, the rural population began to migrate to urban areas, affecting social, economic and hygienic aspects adversely. The trend increased with the rapid growth of population and increased availability of machine made products. This situation has further necessitated the development of labour intensive industries, widely dispersed all over the rural areas of the country. This sector has vast potential for absorbing a very large number of our expanding work force.

Thus, if properly planned and implemented the industries developed in our rural segments, will usher in a new era of hope among rural masses, a majority of whom live below the poverty line. Last but not least, any attempt to industrialise rural spectrum would end in fiasco if a full-fledged infrastructural facilities are not created in those areas. One should not forget that it is the fundamental pre-condition essential for realising this noble idea.

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