



Rural industries in India

(Rural Banking and Financial Inclusion (M.Com))

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Definition and meaning, of rural industries

- Industries are places that manufacture goods or articles for the consumption of the masses. Industries generate employment for the society. Industries contribute to the economic development of a nation. Rural industries are non-farm activities that depend on rural resources, and are primarily meant for employment generation through effective utilization of locally available resources, human power and technologies that are native or home-grown. These are by nature small-scale. These are usually based in villages. Hence, they are popularly addressed as: small-scale industries / village industries / rural industries. Since employment generation is one of the essential objectives of rural industries, they usually work with the philosophy of production by masses-as opposed to mainstream industries where goods are mass produced. It aims at reducing unemployment levels, and enhancing the individual and household incomes. Since the scale of activities is small, the financial requirement is also usually small. According to T M Dak, the concept of “rural industries” itself lacks uniform and accepted definition, is used interchangeably with such terms as, “artisan industries” etc

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- ▶ The Planning Commission first used the term “rural industries” when it recommended a rural industries projects programme in the year 1962. In a report on Village and Small industries sector, the Planning Commission (1988) defined rural industries in the following lines, “The term ‘rural industries’ connotes such types of industries as khadi, Village industries, handloom, handicraft, sericulture, coir and tiny and service industries situated in rural areas”
- ▶ Thus, rural industrialization includes economic activities outside agriculture, carried out in villages and varying in size from households to small factories. Some examples of these activities are cottage, tiny, village and small-scale manufacturing and processing industries; and services of various kinds. Household industries have declined over time, whereas small scale, non-household industries have expanded. Cottage enterprises – based on part-time family labour – are relatively less efficient than small-scale, fulltime and specialised rural industries

Significance of Rural Industrialization

- ▶ The significance of rural industrialization can be attributed due to following factors:
- ▶ i) They can slow down urban migration and thereby ease the problems of urbanization.
- ▶ ii) They lead to improvement in environment by reducing the concentration of industrial units in big cities.
- ▶ iii) They can increase rural income and generate nonfarm employment to the farmers.
- ▶ iv) They can reduce both skilled and unskilled unemployment.
- ▶ v) They can promote balanced industrialization by avoiding excessive industrial concentration. vi) They are based on the local needs and can better meet the local consumption needs.
- ▶ Thus the decentralization of industries to rural areas is one of the best possible development strategies for thickly populated country like India

ROLE OF RURAL INDUSTRIES IN DEVELOPMENT

- ▶ In India, cottage and village industries have been an important occupation of the landless and other poor people in villages for ages. It is an important source of income and employment opportunities for them. As a matter of fact, agriculture and rural industries are complementary to each other.
- ▶ This sector has the second largest share of employment after agriculture. It touches the lives of the weaker and unorganised sections of the society, with more than half of those employed being women, minorities and the marginalised.
- ▶ Fifty seven per cent of the micro and small enterprises (MSEs) units are owner-run enterprises with one person. They account for 32 per cent of the workforce and 29 per cent of the value added in non-agricultural private unincorporated enterprises.

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- ▶ India has a very large spectrum of industrial activities surviving in the villages in spite of severe competition from the highly industrialized urban society. 'Traditional', as they are called, these artisans sustain with their handed down technologies, with slight improvements not keeping pace with changes in that the sector or market demand.
- ▶ The Government of India through various formal institutions and budget allocations supports rural industrialization activities. These aim at supporting rural industrialization, creating enabling environment to arrest rural to urban migration, and employment generation at the local level. This would eventually enhance the individual and household incomes leading to poverty reduction.

TYPES OF RURAL INDUSTRIES

- ▶ On the basis of scale and primary function, there are four groups of industries which can be expanded or developed in the rural areas in Eighth plan:
- ▶ 1) Traditional Village Industries: It comprises of Khadi, leather tanning, wood work, artisan industries, cotton cloth, both handloom and power loom and fabrics, handicrafts, coir, sericulture and wool development, etc.
- ▶ 2) Heavy Industry: There is a growing demand and scope as shown in the latest Survey of Rural Consumer Expenditure on the item of heavy industries. These include: (a) fertilizer plants which will use bio-mass (b) pesticides using biological inputs, (c) Mini-steel plants, (d) ancillary engineering that can meet the demand or medium and large farms-like ploughs, threshers etc.

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- ▶ 3) Medium Group Industries: (a) Mini-cement plant which can use molasses or coal as energy and can meet the rural construction works, (b) minor paper plant, etc.
- ▶ 4) Light Industries : (a) Animal feed and fodder industries, (b) the growing building and construction programme to meet the house demand of rural area, industries producing building materials like hinges, screens, doors and windows frames and roofing materials, (c) improved agricultural implements and machinery using the steel and iron produced in the rural areas

CHALLENGES OF RURAL INDUSTRIALIZATION

Some of the challenges of rural industrialization are as follows:

- ▶ i) Multiplicity of Technology- The dualism in technology is posing a great challenge to rural industrialization. For example, on the first hand we have hands spinning and on the other hand, there is presence of power spinning, handloom and powerloom. This diversity is found in many rural industries such as food processing, construction, leather goods, carpentry, blacksmith, paper making, food preservation and processing. Therefore, reservation of certain areas exclusively for SSIs (Small scale Industries) is required and some protection mechanism issues such as quality standards, production capacities, price subsidy and so on- may be taken into consideration.
- ▶ ii) Type and nature of employment- The nature of employment requirement varies from one type of rural industries to that of the other. They include self-employment, wage-employment, wage-cum self-employment etc. Therefore, while establishing rural industries, the pattern of employment has to be taken into consideration. According to a study conducted by Algappan shows that employment pattern in rural industries located in Keerapalayam panchayat concluded that wage cum self-employment pattern of wage payment proved to be effective

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- ▶ iii) Managerial and Entrepreneurial skills in Rural Entrepreneurs- There is a general lack of managerial and entrepreneurial skill in the rural industries. The entrepreneurial acumen among the decentralized industrialization unit is lacking because of lack of technical manpower at the grassroots. The village artisans and entrepreneurs need to be enlightened on various skills of management.
- ▶ iv) Access to credit- Access to institutional credit is always a problem for small entrepreneurs. Most of the rural industries are starved of financial resources. With the globalization there is a shift in credit system towards the urban entrepreneur and real estate market keeping the rural entrepreneurs in credit crunch.
- ▶ v) Marketing infrastructure- Marketing of the products produced by the rural entrepreneurs is a big problem. As long as rural products do not enter the normal supply chain, their products cannot enjoy a good market. Therefore, rural industrialization would be a total fiasco sans sound rural marketing infrastructure. Chelloppan has urged the government to patronize the products produced by selfhelp mechanism and this would serve as a headache balm to give an eternal relief to rural enterprises

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- ▶ Defining rural industries- Defining rural industries in the context of globalization is the need of the hour. The definition given for tiny industry in 1979 is not suit for institutional village industries. Although total investments in these industries have risen, yet the percapita investment has not risen. T.S Papola favoured redefinition of small, medium, cottage and tiny industries.
- ▶ vii) Role clarity- The role of central and the state government must be clear with regards to the small scale and cottage industries. Under the Centrally sponsored scheme, the Central government take up certain industries like coir, sericulture, khadi and handicraft. However, the implementation part is left to the state government. In other words, Central government provided funds, fiscal concession and policy support to these industries, while the state government takes care of implementation. However, it is seen that state governments still consider it as duty of central government to promote it. As a result, there is confusion in role clarity between centre and state government.