Rural Industries: Their Potential and Constraints

RURAL INDUSTRIALISATION IN INDIA

B. L. Agarwal*

The issue of rural industrialisation can be approached at least in two different ways: (1) as a programme of protecting and developing traditional village industries, and (2) as a programme of spatial diversification of manufacturing activity.

As a programme of protecting and developing village industries, rural industrialisation does not necessarily form part of an economic policy, but becomes an article of faith. In this approach, the cottage industries and traditional crafts are quite often protected as part of a glorious tradition, and as such deserving special case for their preservation and growth. Consequently, attention hardly gets paid to the possibilities of their modernization or to an objective and scientific assessment of their role in development. The traditional industries are only saved from decay, sometimes by providing certain subsidies, or some other reliefs and sometimes by effecting reservations against large industry production or reservations in departmental purchases. Those who argue that the case for the development of traditional industries is based on socio-economic considerations, like using available traditional skills requiring little capital, providing suitable employment to rural households without involving any dislocation or migration costs, have to realise that the income in such industries if carried in traditional manner, is very low and the demand for their products is inelastic, if not declining. As such, the persons engaged in these industries either have to have some other occupation/industry in addition to it as their main source of earning, or be prepared to live in perpetual poverty. In the rural areas, either the persons engaged in traditional industries are doing it as their sole occupation, or are doing it to supplement their meagre income from some other occupation. Hence the proposition for continuing it as a programme of rural industrialisation cannot succeed unless either these industries are modernized so as to increase output per worker, or marketing outlets (e.g., export markets) are found for their products. In the latter case, the artisans will have to be protected from exploitation from traders or middlemen.

As a programme of spatial diversification, it is argued that spatial concentration of industrial activities in large urban centres, is not conducive to an equitable pattern of growth and, therefore, emphasis should be laid on diversification of industries into smaller towns, backward areas and villages.

The questions which need to be examined in this context are:

1. What are the reasons for which industrial activity does not get located in these areas, and how to create necessary conditions to make these places attractive for industrial location?

*Chief (Research), Institute of Applied Manpower Research, New Delhi.
2. What type of industries can be advantageously located in small towns and villages from the point of view of feasibility, demand of products, supply of inputs, and availability of trained manpower? The lumpiness and indivisibilities of investment characteristics, the necessary infrastructure and service facilities may limit the extent to which industries could be spread so as to be located in each village.

3. How entrepreneurship for rural industries can be developed and progressive modernization can be brought about?

4. How the agricultural environment of rural areas can be transformed into an industrial environment?

AREAS OF PRODUCTION

As mentioned earlier, an approach based on emphasis on traditional products and technology is highly unlikely to succeed as a mode of rural industrialisation for income and employment generation, unless their technology is refurbished to meet export demand, and marketing channels are revamped to protect artisans from exploitation. As a supplement and also as a feasible alternative, therefore, the rural industries should cater to the demands of rural masses for consumption necessaries, which are already existing (but are presently met by urban industries), and are likely to expand fast with the increase in their incomes through industrialisation itself. The demands of the rural masses have to be prioritised from a utilitarian criteria.\(^1\)

Another area in which the rural industries can be developed is that of ancillary industries. According to the Census of Small Scale Industries, 1972, 19 per cent of the establishments supplied more than half of their products to the public sector parent units, 53 per cent were found to be catering to the needs of private sector. A significant proportion of them (28 per cent) catered to the needs of replacement market. But all the ancillary industries were generally located in urban centres. Given proper infrastructure and facilities, the ancillary industries can be developed in the rural areas (with greater agglomeration) which are on the road side and near large industrial centres.

A third area in which rural industrialisation can take place is the establishment of large public sector industry, but the establishment of a large industry will change its character altogether (as in the case of Rourkela Steel Plant, and other public sector industries located in the originally rural area), and will generate demand for huge infrastructure, and high level professional and technical manpower which will have to be brought from outside. The first two areas of producing consumer goods and ancillary products are compatible with the education and skill level of the rural people and the labour-intensive technology desired to be promoted for employment generation.

If one looks at the consumer goods produced today in modern factories, one will find that a substantial amount of their raw material flows from the villages. Production of vanaspati, soap and other toiletries, cloth, cigarettes,

ceramics, shoes and leather goods, processed foods and drinks are instances in point. Quite some percentage of these goods in their final form is transported back to the rural areas for consumption, and this percentage would increase along with the increase in the purchasing power of the ruralites. The production of mass consumer goods nearer the masses would save transport cost and much of the advertising and packing cost, generate employment, and increase their availability at cheaper prices. In fine, the cardinal principle of rural development strategy should be production of goods for the masses, by the masses, nearer the masses. In the light of this we should examine the following issues before chalking out production plans and policies:

1. Type and quality of products both farm and non-farm and services consumed by the people of different income strata and the income elasticity and price elasticity of demand for the products and services consumed by poorer masses, in order to ensure marketability.

2. Past trends in the consumption pattern of the population by (a) income strata, (b) location—rural, urban and metropolis, (c) occupation—agriculture, industry and services — divided into traditional and non-traditional sectors and by combination of two or three of these variables at a time.

3. Optimum size of agglomeration necessary for different types of industries to provide labour and other more strategic inputs and to provide direct and indirect services for the local population; in other words, to suggest the optimum size of rural areas or unit areas of development where the particular types of industries could be located.

4. Relationship between production patterns and employment.

5. Multiplier effect—both local and outside, direct and indirect—of alternative production patterns.

While the government is making all efforts to promote consumer goods industries in the rural areas and these efforts should be strengthened, the promotion of ancillary industries will require the co-operation of 'Big Business' in a much bigger way than at present. It is they who will have to foster and nurse the ancillary industries at least in the initial stages.

INTEGRATED VS. FUNCTIONAL RURAL DEVELOPMENT

While the idea of village self-sufficiency and that of integrated rural development has been a powerful influence on the thinking of social scientists and policy makers in India, our villages, taken by themselves, are usually found to be too small to serve as adequate area units for planning industries, rural amenities, facilities, and educational/training institutions. Therefore, there is need for a cluster of villages approach so far as rural development is concerned.

V. M. Dandekar had suggested nearly two decades ago in a seminar that it would be far more sensible in rural investigations to take as units of study clusters of villages rather than single villages. This cluster approach suggested for rural surveys is equally, if not more, important for the development planners
and administrators. V. K. R. V. Rao designates such a cluster, as a "unit area of development." According to him "unit area of development" needs to be distinguished from specific functional grouping of villages such as, say, for feeding a marketing society or supporting a dispensary or a high school. It is best visualised as a cluster of continuous villages which in the course of development and as a result of deliberate planning and efforts in that direction may acquire the characteristics of a single community. Such clusters would be characterized by large variations among their member villages. In a cluster there would be different sizes ranging from a village of 250 population to 1,000+; as has been revealed in an exercise in forming clusters made by the Institute for Social and Economic Change for Tumkur district in Karnataka. The large intra-cluster variation in the size of villages is indicative of similar variations in a host of characteristics associated with size. In fact, it is this heterogeneity which, in the first instance, will provide a great push for development once this cluster is recognized as an unit area of development by the planners, administrators and the people.

The concept of integrated area development, which lays emphasis on the more-or-less self-sufficiency of the villages, and development of primary, secondary, and tertiary sectors in villages in balance with each other, is not a practicable proposition. It is impossible to manufacture even half the requirements of the rural areas in the respective villages, nor is it possible to provide all the services, medical, educational, recreational, social and communal in each and every village. What is within the realm of possibility is the development of unit area on a functional basis. For example, one unit area may develop the production of, say hosiery, while the other unit area may develop production of plastic goods, a third unit area may manufacture soap and allied chemical products, while a fourth may specialise in furniture and wood products and so on and so forth. The location of rural industries should thus be functional at the unit area level, and could be integrated at the district/State level. This will facilitate the task of skill development also and useful links of trade and transport will be built between various unit areas leading to generation of employment and incomes all-round. It has to be recognized that without a viable number of persons requiring the same skills, it will not be possible to develop formal or non-formal systems of education/training.

**ENTREPRENEURSHIP**

"Entrepreneurship at local level" may prove to be a bottleneck in this strategy, but this can be resolved with a little foresight. Japan has been the home of small and cottage industries and Japanese experience in this regard can stand us in good stead. The profile of an entrepreneur in Japan is that "a majority of new small entrepreneurs in Japanese manufacturing are former employees...who worked in small enterprises belonging to a trade identical or similar to their current one..." More than 60 per cent of the new entre-
preneurs make their debut in their twenties or thirties, the highest concentration being between 25 and 35 years of age. This accords with the fact that more than seven years' experience as an employee is very common among new entrepreneurs. During this period they acquire a thorough grounding in the trade, save towards their initial capital and establish various business connections useful for their later activities.²

In India, when we talk of entrepreneurs, we have in our mind either the fresh matriculates and graduates or the marginal/small farmers or landless (sometimes bonded) labourers. None of such persons can ever make good entrepreneurs, and it is here that our policy of developing entrepreneurship and self-employment has failed. We need to take a fresh look at it and search the entrepreneurs for rural industrialisation from among persons who have the profile akin to the Japanese one described above. It is a known fact that for the last 2-3 decades, there has been a great spurt of rural population to industries located in the urban areas. These persons migrated as semi-skilled labourers, but in course of time, have learnt the skills on-the-job and many of them are skilled workers and quite a few are first level supervisors. These are the people who have acquired some industry/business experience and have also accumulated some capital like the Japanese entrepreneur. They know the sources of raw materials, and the channels of marketing and are also aware of the 'knack' and the 'tricks of the trade'. They can also by having links with their parent organizations solve some of the business problems of getting raw materials, technology or sales outlet. But these people have become unionised and through the pressures of their unions are holding back the entry of ITI certificate holders and polytechnic diploma holders into industries at the proper level. It should be possible to motivate these persons to go back to the rural areas and to start some industry, business or self-enterprise. The idea of being an 'entrepreneur' able to employ half a dozen of his poor colleagues would give one a sense of pride and social prestige and would also fulfil one's desire for independence and power. This will, incidentally, help the process of economic growth in many other ways too: (a) there will be reverse migration from urban to rural areas thus reducing the pressure of population on urban areas; (b) the positions vacated by these persons in urban industries will be filled up with ITI certificate or polytechnic diploma holders, so the problem of educated unemployment or under-utilization of certificate/diploma holders will be solved to a certain extent; (c) the educational level of the labour force will increase which will increase the productivity in the long run. A 'phased programme' for the availability of such persons from urban industries for the purpose of rural entrepreneurship, and the modus operandi for training workers for rural industries can be worked out.³

INDUSTRIAL CLIMATE

Last but not the least important for rural industrialisation is the industrial climate, industrial environment, and industrial outlook among the rural people. About 90 per cent of India’s rural population is engaged in agriculture either as cultivators or as agricultural labourers.

A start has to be made to reorganize and rationalise the pattern of agricultural employment, and to evolve policies and programmes to shift the farmers with uneconomic holdings, and other surplus rural labour force, to other industries/occupations in the rural areas which are likely to come up as a result of increase in real incomes and demands of those who stay in agriculture with viable and economic holdings.

This process of transfer of persons wholly from farm to non-farm industries/occupations, rather than permissiveness to do both would create a work force that has completely withdrawn itself from agriculture. If, for some time, or in some areas, agriculture requires additional labour during peak periods, some of those who have withdrawn, may undertake agricultural work (say for harvesting on a contract basis) as a part of organized labour and not as ones hanging around agriculture.

This process, in course of time, will create a work force committed to rural industrialisation, and will bring about the necessary outlook and industrial climate in the rural areas.

All this is more easily said than done. There is need for a Development Commissioner for Rural Industries under the Ministry of Industry to thrash out further strategies, and to integrate the entire programme of rural industrialisation in all its facets. The Development Commissioner for Rural Industries at the Centre should have his counterparts in the States to implement the rural industrialisation strategy, policy and programmes, to evaluate their progress, and to pinpoint their shortfalls, obstacles and bottlenecks. A data system should be evolved for continuous monitoring. Reviews should be done at frequent intervals and corrective steps in consonance with the strategy and goal should be adopted without loss of time.

CONSTRAINTS ON THE DEVELOPMENT OF CONSUMER DEMAND BASED RURAL HOUSEHOLD MANUFACTURING UNITS IN ARID REGIONS—KUTCH DISTRICT, GUJARAT

Anjini Kochar*

The importance of rural industrialisation is perhaps greater in the arid regions, where adverse agro-climatic conditions limit the viability of agricultural enterprises and the extent of population which the agricultural sector alone can support. This paper thus examines the rural manufacturing sector in Kutch district of Gujarat, focusing on household units which accounted for

*Assistant Development Officer, National Bank for Agricultural and Rural Development, Bombay. The views expressed are those of the author, and do not in any way reflect the views of NABARD.