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## RAPPORTEUR'S REPORT

### ON

## RURAL INDUSTRIES: THEIR POTENTIAL AND CONSTRAINTS

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Rapid growth of population, predominance of rural population, agriculture continuing as the mainstay of nearly three-fourths of the population, persistently declining land-man ratio and the dire necessity of improving the performance of the agricultural sector together call for the creation, on a very large scale, of new non-farm employment opportunities in the country. The National Commission on Agriculture has forecast that the agricultural development postulated by 2000 A.D. would absorb in agricultural operations only a fraction of the new labour force available for employment from time to time so that more than 50 million additional employment opportunities will have to be generated in rural areas outside the purview of the agricultural sector by 2000 A.D. Considering the decelerating growth rate of the industrial sector in the recent past and its relatively meagre employment generation capacity, the brunt of the edge has to be shouldered necessarily by the rural economy. A vast network of industrial activities suitable to the skills, resources and socio-economic set up of the villages, if dispersed widely over the rural areas, would meet the exigencies of the future and lead the country towards the attainment of its avowed objectives.

There are no two opinions over this issue. Rather, all the authors of the 20 papers selected for discussion at the Conference have begun their exposition with this hypothesis and proceeded further for an in-depth analysis of one or the other aspect of rural industrialisation on the strength of either a micro level investigation or time-series analysis. All the papers together covered 40 rural industries. However, the spectrum of analysis has, by and large, remained restricted to only four spheres: (1) cost-benefit analysis of an industry; (2) impact of rural industries on productivity, income and employment; (3) impact of infrastructure and institutional support; and (4) outlook for survival/expansion of the rural industries.

### I

#### COST-BENEFIT ANALYSIS OF RURAL INDUSTRIES

Four papers have delved into the cost-benefit analysis of specific rural industries located in sample villages. T. Satyanarayana studied the economics of roap manufacturing in satellite villages of Rajahmundry in

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Andhra Pradesh. The industry is profitable no doubt, but in practice the gains are almost lost due to lack of coherence between demand and supply of the finished product. He feels sad about the fact that while sufficient economic infrastructure, institutional credit and entrepreneurship are available, the disheartening results emerged because of improper planning of the industrial units and unsatisfactory marketing arrangements.

C. Ramasamy and M. Chandrasekaran selected four villages within West Arni block in North Arcot district of Tamil Nadu for investigation of resource productivity, initial capital investment and profitability regarding handloom weaving, coir making, brick making, lime making and stone carving. These industries are running profitably in spite of their low capital base, use of traditional technology and deficiency of infrastructural facilities. With all this, these industries could provide higher wages to labour as compared to agriculture.

Cost accounting of pig farming in two tehsils in Aligarh district of Uttar Pradesh is done by T. B. Jain and U. G. Nadkarni to conclude that improved pig farming can be made into a profitable subsidiary occupation in those areas where consumption of pork and pork products is common and particularly in areas around bacon factories. At the same time, the authors pinpointed at insufficient availability of high quality stock, balanced feed at economic prices, lack of credit facilities and absence of favourable market conditions as major constraints in pig production.

The upshot of the economic analysis of the creameries in the milk surplus area of Karnal (Haryana) carried on by Raj Vir Singh and V. V. Sharma is that in view of the comparatively small initial investment and relatively high profitability, the creameries can be considered as one of the suitable enterprises for those who want to take up self-employment activity with limited capital.

## II

### IMPACT ON PRODUCTIVITY, INCOME AND EMPLOYMENT

Next follows a set of six papers that have given attention to the employment aspect of the rural industries either exclusively or in conjunction with productivity and income. C. Sen has prepared an integrated agro-industrial development plan for Dwarahat block of Almora district in Uttar Pradesh by using the multi-objective programming model. Agro-industries included in the plan are poultry, poultry feed, fruit processing and package box making, and they are sought to be integrated with grain crops, fruits and vegetables and livestock activities. The model is worked out for a period of 15 years from 1980-81 through 1995-96 in three stages of five years each to project the probable levels of income and employment. This exercise is used to confirm the fact that agro-industries can play a vital role in increasing employment and income of the rural people.

A penetrating scrutiny of the targeted output and employment in the village and small scale industries sector over the Sixth Five-Year Plan

(1980-85) of India made by S. K. Gupta has focused on the targeted growth rates over the Plan period vis-a-vis the growth rates actually achieved in the immediate past during 1973-74 to 1979-80. The author observes that the Plan assumes a high rate of deceleration in the growth rate of output of village and small scale industries sector, the growth rates of employment for different industries envisaged in the Plan seem to be ambitious, and therefore, the relationship between output and employment generation assumed in the Plan needs urgent reconsideration.

In an empirical study R. K. Pandey *et al.* examine the pattern of employment, capital structure and input-output ratios in the brick kilns located around Karnal (Haryana) and Delhi. They have pointed out that on an average, a brick kiln provides job opportunities to approximately 90 persons for a period of 120 to 150 days in a year. Efforts to promote the brick kiln industry on sound footings would not only alleviate the rural unemployment problem but also be instrumental in improving the housing conditions in the countryside.

B. C. Saxena *et al.* have studied the impact of Delhi, Mehsana and Madras milk supply schemes on the neighbouring rural economy with reference to productivity, income and rural employment. In the milk collection areas everywhere is observed a considerable increase in the rural employment through dairying as a subsidiary rather than as a main occupation. Simultaneously, there is reduction in excessive dependence on other occupations such as field work, skilled work, service, trade, etc. Annual gross income of the families engaged in dairying went up by one-and-a-half to two times. Therefore, the authors conclude that setting up of urban milk supply scheme is another way of rural industrialisation.

By examining the 1961 and 1971 Census data on the number of workers in manufacturing, processing, servicing and repairs in 'household industry' and 'other than household industry' in the rural areas of Karnataka State, V. S. Satyapriya has revealed that despite an overall growth, manufacturing employment in the rural areas, particularly in household industries, declined. Furthermore, a discernible shift is seen in manufacturing employment from light manufacturing industries to low labour intensive heavy manufacturing industries, from household industries to non-household industries and from rural to urban areas. The pattern of distribution of manufacturing employment within the State revealed heavy concentration in a few districts.

For explaining the employment-productivity relationship between inter-industry units, Jagdish Prasad and Rajendra Prasad have attempted an empirical study of oil products, blacksmithy, pottery, bamboo products, bidi making, mat products, carpentry, food products and leather products within the Fatwah block of Patna district of Bihar. The authors conclude that output in the industries under reference can be increased by increasing either labour input or capital input or both. Since the number of workers and value added per worker are inversely related, the workers already engaged in industries should be utilized more intensively which in turn will raise the level of income per worker rather than adding more workers without increasing the

capital size of units. If the basic objective is to raise employment and income of the rural people, it would be imperative to augment capital in those industries only which appear to be capable of increasing output and income per worker.

### III

#### IMPACT OF INFRASTRUCTURE AND INSTITUTIONAL SUPPORT

A healthy progress of any rural industry is strongly correlated with the availability of external facilities of different types. Four papers have examined the empirics of this issue, two dealing with the infrastructure and two with the institutional support. K. R. Chowdry *et al.* have selected electrification of villages as the phenomenon for observing its impact on growth of industries, output and employment in Singanamala block in Anantapur district of Andhra Pradesh. The empirical study has revealed that because of electrification the number of industrial units in the existing lines went up by 50 to 150 per cent while a few new industrial activities also emerged. Output in money value registered a six-fold increase and employment shot up by three times. The paper by J. S. Chawla presents an extended picture for a wider universe. He has chosen Punjab State as a whole to measure the impact of infrastructure on rural industries over the period 1968-69 to 1978-79. Towns and villages electrified, expenditure on health and rural sanitation, expenditure on education, expenditure on communication and promotion of rural arts and crafts are used as components of infrastructure. By measuring the growth rates of these components, Chawla has observed positive effects of rural electrification, health and sanitation, technical training and number of bank branches on rural industrialisation.

The impact of institutional support on rural industries is studied with reference to the assistance provided by the State Khadi and Village Industries Board. V. V. N. Somayajula *et al.* analyse changes in the structure of Khadi and Village Industries by way of comparative analysis of growth rates in development indicators and in structural ratios of individual industries in Andhra Pradesh during 1956-80. They observe that decreasing returns to scale is a normal feature of all the 18 industries under investigation. Sugar-cane, gur and khandsari are declining while lime manufacturing and forest plants and fruits for medical purposes are the most economically viable. Processing of cereals and pulses, cottage matches and village pottery deserve complete subsidisation.

S. K. Singla *et al.* selected seven industries, *viz.*, processing of cereals and pulses, neo-soap, pottery, gur and khandsari, fibre, leather, carpentry and blacksmithy for assessing the effect of government assistance through the Punjab Khadi and Village Industries Board. The PKVI Board has given assistance to more units in the rural areas. As a result, although there has been increase in both production and employment, the impact was more predominant in the case of production; the increase in employment was very marginal.

## IV

## OUTLOOK FOR SURVIVAL/EXPANSION

We have six papers dealing with this aspect of the subject. Anandamoy Sen reviews the rural crafts traditionally existing in a village in Birbhum district of West Bengal. He feels sad about the gradual decay of the age-long rural crafts driving many artisans out of their traditional occupations. This trend can be reversed only through organizations of the craftsmen and arrangements for supply of finance and raw materials and creation of a suitable marketing infrastructure.

J. S. Garg and B. K. Gupta peep into the future with a resource inventory survey of Chaubepur and Shiorajpur blocks in Kanpur district of Uttar Pradesh in order to locate the rural industrial complex centres and propose rural industries based on local resources and needs. For an integrated rural development of the regions in question they have identified 17 rural industries and pleaded for an integrated effort by different departments of the State Government and autonomous bodies like agricultural research institutions and the universities. The authors say very emphatically that supply of raw materials, marketing of finished goods and finance from the institutional agencies are the *sine qua non* for the success of the identified industries.

The concept of 'polarisation reversal' is brought in by K. K. Khakhar to analyse the trend in India. The concept refers to the process of dispersal of industries from prime cities to the rural areas. He invites attention to the moderate beginning of the process of polarisation reversal on selective lines: (a) declining growth rate of major metropolis, (b) declining growth rates of municipal areas and increasing growth rates of agglomeration areas, (c) small town development, and (d) industrial development in small towns and rural areas on selective lines like 'manufacturing belt' and 'multi-centred region'. Industrial estates have helped considerably in the reversal process. A very apt question is raised at the end of the paper: Is it correct to state that the industries reaching to rural locations under the hypothesized process of polarisation reversal would result in rural industrialisation in the sense it is expected to be, that is, resulting in increased well-being of rural masses?

With a contention that industrialisation, as viewed in terms of the use of inanimate sources of power and associated activities, requires socio-economic conditions distinct from those that make the society predominantly agrarian, R. P. Grover *et al.* examine the present state of rural industrialisation and constraints thereto. Data are collected from 200 randomly selected rural industries from three districts of Haryana. Industries under reference are grouped as traditional (handloom, carpentry, bag making, shoe making and basket making) and non-traditional (agricultural implements, readymade garments, oil, brass utensils, steel furniture, candle making, flour mill, soap making and bandage making). The study showed continuance of rigid occupational structure that hardly permits people to seek change in their occupations. The industrial scene is characterized by traditional crafts

which in most cases are hereditary in nature, based mainly on family enterprise, making little or no use of power and machine, hired labour and other promotional facilities. Non-traditional industries are better placed in this respect. Rigidity of caste and traditional technology blocked occupational mobility and forced people to work as agricultural labourers. Low education, older age, nuclear and small family pattern, poor media exposure and poor economic status also tend to hinder the process of rural industrialisation. As a corrective measure the authors plead for protective discrimination for modernizing traditional crafts and widespread package service organization for the new entrepreneurs.

The paper of Anjini Kochar analyses the importance of consumer based rural household industries and identifies the factors which affect the development of such units, focusing on conditions in the arid regions with Kutch district of Gujarat being the area under study. The study reveals that rural household manufacturing is concentrated in consumer based units and such concentration has been increasing. Such units, however, fail to reach urban markets and proximity to urban centres actually retards the development of these units. At the same time, extremely low levels of infrastructural development limit the possibility of extending one's market to other far-flung villages. Markets are thus limited to the villages in which the industry is located, and given low levels of purchasing power, the prospects of such industries are presently directly linked to village size.

B. L. Agarwal in his paper rightly picks up from where Kochar ends. He pleads for laying stress on industries catering to the day-to-day needs of rural people as also the modern ancillary industries as components of rural industries, of course by improving the production technology and marketing channels. For overcoming the type of problems revealed by Kochar's paper, Agarwal makes a case for 'cluster of villages approach' instead of 'integrated rural development' approach in vogue presently. Under the cluster approach the location of rural industries would be functional at the unit area level, and could be integrated at the district/State level. The process of rural industrialisation will not make rapid strides without adequate supply of entrepreneurial talent well acquainted with the industrial activity in different areas. The author opens an inlet valve for an influx of the needed entrepreneurs. He reminds us of the great spurt of rural population to industries located in the urban areas since the beginning of economic planning in this country. Many of them are working as semi-skilled and skilled workers and as petty entrepreneurs too. Through years they have acquired some savings and business experience while mastering the business links. They can be induced to return to their places to take up the prospective industrial activity. Simultaneously, favourable industrial climate can be created by releasing the owners of uneconomic holdings through consolidation of holdings making these farmers full-time workers in the industrial establishments. The paper has the merit of proposing solutions to the task of rural industrialisation and hence due attention should be paid to the contents in the course of discussion.



## V

## ISSUES UNTOUCHED BY THE PAPERS

A number of significant aspects were thrown open by the synopsis of the subject in question. The paper-writers, however, preferred to operate within safe limits and, on the whole, with a solitary exception, avoided prescriptions for future improvement. Empirics of capital-labour-productivity-profitability, etc., in the case of a few industries was presented no doubt, but cross-sectional treatment was conspicuous by absence. Comparable data on the competing small scale and large scale units would have provided support to or revised some of our commonly held beliefs on the various economic and financial characteristics of rural and other industries. Reservation of areas and/or subsidies to the rural industries has remained a much controversial issue almost since the introduction of the policy. An in-depth analysis of the propriety of such measures would have bridged an important gap in the treatment of the subject. Finally, regarding the measures for improvement, many paper-writers have simply stated in a light vein that the success of rural industrialisation warranted improvements in technology, marketing facilities, infrastructure, finance, etc., and there was no concrete plan suggested for implementing the suggestions. Actually, a number of agencies have been undertaking the type of work implied in these suggestions. If we take cognizance of them, the issue boils down to a proper integration of these efforts to culminate into a coherent plan of action. True that lacunae are there, but we should be interested more in providing lines of future action for a better performance of the rural industries as we are almost unanimously convinced of their utility and importance. These untouched issues may be taken up for discussion at the Conference.

## VI

## ISSUES FOR DISCUSSION

1. Is there any 'strategy' of rural industrialisation at work in India involving a programme of action regarding the chronological sequence and the possible spacial spread of rural industries?
2. What are the reasons for which industrial activity does not get located in the rural areas? How to create necessary conditions to make these places attractive for industrial location?
3. Do we come across a step-motherly treatment in nurturing the traditional cottage industries vis-a-vis the modern industries in the rural areas? The attitude of the government agencies towards traditional industries is just to save them from decay, while that towards non-traditional ones is more healthy. Is it true?
4. What can be the appropriate machinery to co-ordinate the activities of different agencies?

5. Is there any propriety left in continuation of the reservation/subsidy to the rural industries ?

6. Common Production Programme accepted since the First Plan has never been seriously followed up. It has a limited applicability in the case of industries where there exist side by side establishments using traditional and modern techniques. Moreover, the implementation of this programme leaves much to be desired. Would it not then be advisable to replace it by a 'common utilization programme' involving planning of the total utilization of primary products of agriculture, animal husbandry, forestry, etc. ?

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

8. Rural industrialisation must be planned round a series of centres in the countryside and there should be a group of linked activities. How large or small, how close or dispersed these centres should be, will have to be thought out in relation to ultimate objectives and immediate practicability. This may mean a phased programme which begins with fewer and larger centres but in which provision is made for gradual spreading out. Bulgaria has used the instrument of 'service centres', that is, specially designated large villages or small towns which provide the village population economic opportunities over and above those available in farming; where appropriate, develop industries for the processing of local agricultural produce and for meeting local agricultural needs; in favourable circumstances, there will also be industries serving the needs of national production. There is a stream of thought in India advocating for replacement of Integrated Rural Development approach by the cluster of villages approach. In this light, what can be an appropriate planning framework for the development of rural industries ?