CHAPTER III

REVIEW OF RELATED STUDIES

A review of all available related studies is quite indispensable to understand the basic concepts and theories pertaining to a research problem. In fact a researcher gains a deep and perfect perception of his research problem only from the experience gained in reviewing the publications closely related to his topic of interest. Hence an attempt is made in this chapter to review the most outstanding research monographs, books and the like on District Industries Centres and related topics.

Objectives of Industrialisation

According to Patil, the basic objectives of Industrialisation should be eradication of poverty, unemployment, increasing per capita income and accelerating the overall economic growth. Employment oriented industries should be given priority to increase the socio-economic status of the

---

people through Industrialisation. Industrialisation influences the growth of national output and income. It also, improves the entire national life by affecting the socio-economic, political and cultural dimensions of a society. According to him, industrialisation would bring about a more equitable distribution of income among people in the long run.

**Meaning of Rural Industries**

Chhabra\(^2\) in his study reveals that any industry located in a rural area which produces home goods on a small scale in an industrial shed without huge capital investment, or renders services with or without the use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed Rs 50,000 or so is a village industry. Moreover, these industries in rural setting can be developed on low capital cost, compared to the huge urban industrial sector.

**Women in Rural Industries**

Rajula Devi,\(^3\) in her paper examines the participation of rural women in rural industries. She also suggests ways and means by which they could be made to play a more meaningful role in village industries. According to her, participation of women in industrial work is very low, because they do not have sufficient access to facilities of education. Further, they are so

---


overtaken by certain socio-cultural problems that they remain tied to household work. Rajula Devi argues that women would be able to get over their problems very soon with the support and encouragement drawn from self help groups. According to her the day is not far off when women would emerge as seasonal entrepreneurs.

**Importance of Rural Industrialisation**

The development of rural industries, according to Gurusamy, is not only crucial for accelerating industrial growth but also for achieving the social objectives of dispersal of industry and equitable distribution of wealth. He goes on to add that rural industries will encourage a new class of entrepreneurs, technocrats and the educated unemployed to start their own industrial ventures. He is optimistic that, the small rural industries would contribute to the growth of the entrepreneurial and technical skills among the less affluent segments of population too. He holds that these industries while providing an outlet for creative urge among individuals and promoting technical excellence in plant design will certainly encourage the middle class people to earn more by making a careful investment of their limited resources on new industrial ventures.

---

This idea has been upheld by Kumar B.Das\textsuperscript{5}. According to him rural industrialisation will render people resourceful enough to combat the twin problems of poverty and unemployment in rural areas. He further argues that rural industrialisation is necessary to obliterate the problem of inequitable income distribution. He concludes his analysis with the sanguinary hope that rural industrialisation can result in the optimum utilization of local skills and resources.

Sinha,\textsuperscript{6} while dealing with rural Industrialisation points out that rural industrialisation is a panacea for most of the economic ills of the fast growing labour forces in villages. In his opinion rural industries would, not only create more employment opportunities, but would also add to the supply of goods and services which are very much in demand among the rural folk.

Pramod Pathak\textsuperscript{7} has made an equally interesting study on rural industrialisation. According to him rural industrialisation is an effective tool of rural development. It could be easily integrated with the overall industrialisation process of the country as a whole. To accelerate the pace of growth of rural industrialisation, numerous concessions in the form of central investment subsidy, concessional finance, transport subsidy, central assistance

\textsuperscript{7} Pramod Pathak, "Reorienting Rural Industrialization, Yojana, Vol.37, No.9, October 31, 1993, pp.6-8.
for infrastructural development and income tax incentives have been announced by the government.

Satya Narayana,⁸ while upholding these views on rural industrialisation makes it unequivocal that planning for rural Industrialisation based on optimum utilization of locally available raw materials is a must for the rapid growth of rural industries of every category. According to him the most appropriate strategy to pave the way for the growth of rural industrialisation would be to decentralize the industrialization process itself.

Vivek S. Deolankar⁹ while dealing with the problem of rural industrialization, holds that in rural areas, where 70 to 80 per cent of the total population of the country live, an industrial revolution must necessarily be encouraged to get rid of the problem of regional imbalances.

The rural economy of India would grow in its savings and investment potentials once it abounds with cottage and small scale industries. People in rural areas will grow in affluence and skill as rural industries generate more and more gainful opportunities of employment for the poor.

Problems of Rural Industries

According to Raveendra\textsuperscript{10}, balanced regional development with emphasis on the simultaneous growth of employment and in time has not yet been attained. He adds that most of these industries in India still rely on obsolete tools and technology. The problem has been clearly responsible for the unreasonable hikes in the cost of their products. Other related causes for the backwardness of rural industries are the lack of infrastructural development, poor transport system, lack of power supply and scarcity of finance and credit. The rural industries mainly depend on local resources for their raw material requirements. Non-availability and high prices of raw materials prevent them from expanding their business. They do not get fair price for their products due to lack of proper marketing network. He suggests that the low managerial ability of the artisans is also responsible for this state of affairs. The traders exploit the village entrepreneurs when they buy raw materials and sell their finished products. According to him measures adopted by the government to promote traditional rural industries seem to be inadequate. Finally, he holds that, in the new economic policy there is nothing special for the rural industries.

According to Siva Ramakrishna\textsuperscript{11}, in the past, villages were self-sufficient and the rural people were solely dependent on the products of the village industries. But now, on account of the invasion of modern products of big industries in the rural markets, the village industries are not in a position to withstand the competition from the products of the large scale industries that produce consumer items. In fact, the entire village industries sector’s share in the country’s total production of such commodities is around 15 per cent or less and this meagre share is not going to influence the market at all. According to him, another difficulty in selling the products at the village level is the lack of purchasing power among villagers. He suggests that, the problem of the rural industries is to meet the fast changing tastes and fashions of the urban consumers. With a quick change in consumer tastes and attitudes, a village artisan finds it difficult to cope with the changing needs of those using the products of village industries. Most of the village artisans are disorganized and dispersed and do not have any knowledge of consumer attitudes and tastes, importance of brand image and the corporate image. Only a handful of agencies are presently engaged in evolving the new designs that would meet the tastes of the consumers. There is a wide communication gap between the village industries and the urban consumers as a result of which

the village artisans produce goods of traditional nature quite oblivious of the emerging trends in consumer tastes.

Rajeswari\textsuperscript{12} in her study reveals that the products of the rural industries find it difficult to capture the market, for want of transport facilities. Another problem encountered by these industries is getting raw material on time. She points out that the reasons for the financial problems could be attributed mostly to the delay in getting financial assistance from government agencies. The complicated procedures and formalities involved in sanctioning assistance and the belated payments made by the buyers, have resulted in serious financial bottlenecks for producers. She goes on to add that rural industries are depressed because the demand for their products is facing a devastating decline. Their inability to update their technology has rendered their products old fashioned and poor sellers.

According to Vishnoi\textsuperscript{13}, rural industries are characterized by wide dispersal of their production, decentralized action, use of family labour and dependence on local produce and also local markets. Rural artisans are often semi-skilled. Further they depend on obsolete technology and old or obsolete tools. He is emphatic that their products often suffer from certain distinct disadvantages related to quality and durability. They face competition

\textsuperscript{13}S.P. Vishnoi, "Required: An Integrated Approach to Rural Industrialisation", Kurukshetra, Vol.XXXIII, No.1, October 1984, pp.54-56.
not only from machine made goods but also from products of small industries sector located in semi-urban areas. Surprisingly, there is no statutory or specific definition of the rural industrial sector. They would include traditional or non-traditional cottage and village industries. Various policy pronouncements including the material incorporated in the plan documents when read together give a fair idea of the so called rural industrial sector. The absence of definition has adversely affected this sector in as much as the persons working in it have not been able to fully benefit from the various facilities provided by the government for them. According to him, it seems absolutely necessary that the rural industrial sector should be clearly defined and there should be a specific demarcation of activities. Government has in the past given many financial incentives and other preferential treatment both in respect of supply of essential commodities including credit and purchase of products. Unless and until the production sphere is clearly reserved and the proposed incentives and facilities specifically earmarked and quantified there is always a danger of those being siphoned off by others.

**Poverty Alleviation Through Rural Industrialisation**

Bhanujan\(^{14}\) in his study speaks about the three poverty alleviation programmes enshrined in the sixth plan. They include the resource transfer and income generating programme for the rural poor, special area

---

development programme and work programmes for the creation of supplementary employment opportunities. It is expected that the basic thrust on poverty alleviation during the seventh plan will continue to be based on the strategy devised for the sixth plan. According to him by the end of seventh plan, the percentage of people below the poverty line would be less than 23 per cent. It would be around 10 per cent by the end of the eighth plan. He emphasises that in several areas, for many, living below the poverty line, rural industrial development will be the only opportunity to come above the poverty line.

**Self-Employment Through Rural Industrialisation**

George\(^{15}\) in his study has pointed out that, self-employment through rural industrialization should be conceived as a poverty alleviation programme and to ensure its success not only should there be training organised on a massive scale but necessary upgrading of technology should also be ensured. Technology in its broad sense would include managerial and organizational capabilities as well. Self-employment, probably would continue to be the more permanent and desirable solution to the problem of unemployment. One sure means to promote self-sustaining self-employment, which is the key to the solution of unemployment and underemployment in the country, is industrialisation, emphasizing small and village industries. More

directly the solution could be referred to as rural industrialisation. Therefore, in his paper, he focuses attention on the feasibility of using rural industrialisation as an instrument for poverty alleviation.

**Village Panchayats and Rural Industrialisation**

Amitabh Tewari\(^\text{16}\) in his study reveals that the twin problems of lack of people’s participations and absence of the machinery for coordination cannot be solved without the efforts of the village panchayats which are entrusted with the task of rural industrialization. He suggests that, the village panchayats are the most appropriate agency for the survey of the local needs, resources and potentialities which are essential for the formulation of any programme for rural industrialization. These detailed knowledge will be helpful to formulate a practical scheme for rural industrialization. The village panchayats will be able to ensure that the focus of the scheme is on the optimum utilization of the locally available resources including the local manpower and the plan for rural industrialisation which is being implemented was prepared with the active involvement of their panchayats, the people will take deep interest in making it successful. He emphasises that the village panchayat will be able to coordinate the functions of financial institutions, various government departments and voluntary agencies to solve problems which hinder rural industrialization. The village panchayats will be able to

ensure that the various facilities extended by the government and other agencies are used properly and to check the misuse of grants, subsidies, and loans. They will have to widen the spectrum of their activities to become an effective tool of rural industrialization programme.

**Development of Rural Industries Under Five Year Plan**

According to Rama Rao\(^\text{17}\), in the first five-year plan, the government of India gave high priority to the establishment of technological institutes to carry out investigations into problems of rural industries. The training programme should be organised on a massive scale for the development of rural artisans so as to accelerate the adoption of improved tools and techniques in both the first and second five year plans. The objective of the third five-year plan was to improve the productivity of the workers and thereby reduce production cost by placing greater emphasis on positive forms of assistance such as technical advice, improvement of skills, introduction of better equipments and enlargement of credit facilities. In the fourth, fifth and sixth five year plans the training facilities were enlarged to the rural artisans. The District Industries Centres have recognised the need for training the artisans and its managers.

Agro-Industries for Village Upliftment

The establishment of agro-industries in rural areas, according to Gurusamy¹⁸, may reduce the migration of people from rural areas to urban areas and the problem of exploitation of farming community by traders and middlemen. Such establishments may result in the improvement of infrastructural facilities in backward areas and may create potential for other industries as well. All these will ultimately bring down the transportation cost. He added that agro-based industries should be encouraged to achieve balanced growth between agriculture and industry. Income generation through agro-industries may improve the purchasing power of rural people. This will create the potentials for demand-based industries and increase the standard of living of rural people. This may also create employment opportunities in over populated countryside.

Rural Industrial Estate

Bhatnagar¹⁹ in his article, “Rural Industrial Estate” has pointed out that the Rural Industrial Estates should also be set up in the country side, they should aim at, utilizing locally produced agro products and waste products, ensure special processing facilities, generating their own electricity and heat, adherence to area and commodity approach, integrate the overall

state and national needs, explore earning foreign exchange by declaring a few locations as export zones. He suggests that the Rural Industrial Estate should also contain service units like, service centre for farmers, irrigation and drainage, soap, engine and machine shop units, electrical and electronic, farm buildings unit, readymade garments unit, banking units, spare parts and general stores, snack shops, electric power and heat generating units based on agro-wastes. A special infrastructure has to be created for detailed planning, implementation and running Rural Industrial Estates in the state. They are policy and planning group, finance management and development group, human power training and development group and consumers group. The proposed model of Rural Industrial Estate holds promises of increased employment opportunities and strengthening the capital base in the rural areas.

Programmes for the Development of Rural Industries

Devendra\textsuperscript{20} in his study reveals that, in India a number of programmes aimed at promoting rural industries have been sponsored by both the state and union governments. Among the important ones, mention may be made of village artisan oriented programmes, Village and Khadi Industries Programme Pilot Projects (small-scale industries) under the Community Development Programme, Rural Industries Programme, Rural Industrial Estates and District Industries Centres. He suggests that the main focus of

these programmes has been to provide the existing and potential entrepreneurs with various incentives and facilities to overcome some of the problems specific to industry in rural areas. These have generally consisted in providing assistance to overcome shortage of capital, skilled labour and raw materials and adequate infrastructural facilities.

**Necessary Ingredients of Successful Rural Industrialisation**

Rural industrialization need not be confined to carrying industries to rural areas: it can also carry villages to suitable industries in the nearby towns and cities. Srinivasan in his study reveals that some of the necessary ingredients of successful rural industrialization are the industry should be based on locally available resources, rural-urban, local-national and foreign trade linkages, comprehensive planning, especially with regard to the availability of ready markets. He suggests that there should be a nation-wide organization, with separate sections for each product or group of products which are produced in the rural industrial sector. The existing organisations like the Khadi and Village Industries Board, Handlooms Board and Handicrafts Board can be utilized for the products which they are already handling, up to date technology should be used so that the industrial units can be competitive: obsolete technologies should not be adopted the name of “appropriate technology” etc., the government may provide necessary benefits

---

the units should be set up on a cooperative basis or through individual enterprises and not by government departments.

**Rural Industries and Development**

Shukla\(^22\) in his article on “Rural Industries and Development” has pointed out that rural industries will take three forms. They are decentralization of industries in labour surplus areas, labour intensive cottage industries and up gradation of traditional skills. He pointed out that government should encourage this process of decentralisation by giving incentives in the shape of concessional rate of interest on bank loans cheap land, infrastructure such as sheds, roads, transport, power, water etc. Marketing of the products of rural industries will be another crucial task. District Industries Centres have been set up as focal points of dissemination of knowledge for small and cottage industries. The problems of rural industries are mainly of management, provision of raw-materials, appropriate technology and marketing.

**Types of Rural Industries**

According to Malcom S. Adiseshiah\(^23\), rural industries may be set forth and classified according to scale, or their primary function or their resource base as between which each state may select those that fit its needs

---


and, resources-human and material. On the basis of scale and primary function, there are four groups of industries which can be expanded or developed in the rural areas during the VIII plan. The four groups are traditional and village industries, heavy industries, medium industries and light industries. He points out, the first group which is the one which needs further development and expansion is what is called traditional and village industries. The second group of industries which is relatively new, comprise heavy industries that should be developed in the rural areas, for which there is a growing demand and scope, as shown in the latest survey of rural consumers expenditures, where some per cent of consumer and non durables – agricultural equipment and machinery, seeds and fertilizers, two wheelers, motor cycles and mopeds etc are sold in the rural areas. This group of rural heavy industries comprise of four important lines for the VIII plan, fertilizer plants, pesticides, mini steel plants, ancillary engineering industries. The third group of rural industries that could be developed during VIII plan is in the medium group such as, mini cement plants, minor paper plants. The fourth group of rural industries are light industries such as, animal feed and fodder industries, the growing building and construction programme etc.

The village industries, according to Singh\textsuperscript{24}, are also termed as rural industries and consist of wide range of industrial activities. He suggest

that these industries are broadly divided into seven groups, they are, mineral based, forest based, agro based and food industry, polymer and chemical based, engineering and non-conventional energy, textile (excluding khadi) and service industry.

Ganesan\textsuperscript{25} in his study reveals that, the concept of rural industries includes village and small-scale industries. Village and small-scale sector could be divided into eight sub-sectors, namely, khadi, village industries, handloom, sericulture, handicrafts, coir, modern SSIs. While the last two represent the modern SSIs, the other six sub-sectors constitute traditional industries that constitute a formidable part in the rural industrialisation.

\textbf{Allocation of Grant for the Encouragement of Rural Industrial Entrepreneur}

Muthu Krishnan\textsuperscript{26} in his study reveals that, the Tamilnadu Infrastructure Development Corporation has been created to concentrate on the special needs of rural industries. A pragmatic approach, vigorously initiated for making the procedures for registration, licensing, clearances for new industries, more simplified and time bound has been adopted. District Industries Centres are fully involved in providing expert services to assist the


entrepreneurs. Significantly enough, the statutory arrangements for purposes of inspection of industries and the submission of periodical reports are being examined for the needed relaxation. Additional power tariff concessions are given to new units and for the first time, expanding units are made eligible to receive power tariff concessions. Venture capital fund and technology development fund are the additional financial facilities for the promotion of new technical know-how and modernization. State and district awards are given annually for the best producing units, for best exports, for best quality products and now for the first time for the best women entrepreneur also. He has pointed out that the knowledge and information of the entrepreneurs are sufficiently strengthened through intensive training arrangements associating all export institutions to impart proper training under a scientific programme of “Entrepreneurial Development”.

Home Market for Rural Industries

According to Sunil Baran Ray\textsuperscript{27}, the government is trying to develop technology and marketing network for rural industries. The demand for rural industrial products can be assessed in three types of markets such as local, urban and foreign. The rural industries, for their survival and prosperity, have to depend relatively more on the local market which is constituted by the rural masses. Decentralization of rural industries has two

important dimensions. The control and management of resources will be at the hands of many producers and therefore home market would be shared by many producers. The potential development of the home market for rural industries, has a direct bearing on the appropriateness of the technology. This is all the more convincing because the products that are manufactured by the rural industries would also correspond to the level of living of the rural people.