CHAPTER II
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REVIEW OF LITERATURE

The review of literature related to the topic of research under study is attempted in this chapter with a view to identify the gaps and thereby to formulate research problems, objectives and hypothesis. Such an effort would help filling the gaps and thereby contributing to the existing knowledge of literature. Keeping this in view, studies relating to the filed investigation have been reviewed.

The research work done so far in the field of agro-based industries has been very limited. Although the research work has done in this field has been very limited, a very few studies have been attempted to assess the impact of agro-based industries on rural economy.

For the present purpose, these studies are classified into three categories.
1). Role of Agro-based Industries in rural economy.

2). Agro-based Industries - Employment and Wages.

3). Agro-based Industries - Capital Structure.

1). Role of Agro-Based Industries in Rural Economy

According to Nirmal Ganguly the agro-based industries assume great significance in the context of a developing country like India where agriculture still accounts for over 35 per cent of our national income and about two-third of our working population. Agro-based industries have great significance in our rural areas since it can instrumental in fostering strong linkages between the agricultural and industrial sectors. Agro-based industries in our countryside hold promise to bring about substantial improvement in the quality of living of our rural masses. If agro-based industries are set up a big scale in the rural areas, there is no doubt that in a short time our rural environment will be dynamised bringing about the desirable social changes1.

Som Nath Sharma brings out the rural industrialisation is a key to rural development and rural prosperity. It constitutes a significant link in the process of socio-economic transformation of rural areas.

Kapur explains the agriculture and the agro-processing sector can play a significant role in diversification and commercialisation of agriculture and give boost to rural economy.

Bhattacharya has pointed out that the development of agro-industries may be used as one of the effective tools in bringing prosperity in rural areas particularly in backward areas because, agro-industries may give the desired "Push" to agriculture.

Further, he argued that these units will act as sources of demand as well as of supply inputs to agriculture. Some of the agriculture produce like sugarcane, vegetables, fruits, etc., are perishable and it is economical and advisable to process them at raw material source in order to avoid wastage.


Moreover, agro-industries appear to have forward and backward linkages and spread effects. Their establishment may lead to improve the infrastructural facilities in backward areas and may create potential for some other industries.

Further he reveals that establishment of agro-based industries in rural areas may reduce the migration from rural areas to urban areas. They may also help in tackling the problems of exploitation of farming community by traders and middlemen.

According to Brij Bhushan the remedy to the rural problems lies in the diversification of agricultural sector supported by the well developed food processing industries.

Badar Alam Iqbal has emphasised that besides bringing prosperity to rural areas through a desired push to agriculture; agro-industries also 'act as catalytic agents for the development of infrastructure in rural areas. Furthermore, he stated that agro-industries need to be looked upon


Brij Bhushan, Role of Food Processing in Eradicating Rural Poverty and Unemployment, Kurukshetra, 1993.
primarily as an agency to pave the way for occupational shifts and for creating new social groupings which would form the basis for creation of necessary social, cultural and psychological premises for modern industrial society. Again he reveals the excessive dependence on agriculture and migration of people can be removed by introducing in the rural areas in a big way.

O.P. Jain who is of the view that rural industrialisation is a weapon to minimise economic disparities between different population strata and different geographical areas. Again he stated that, it is the best way to achieve balanced economic growth by which he meant, rural-urban development balance, agro-industrial development balance and regional gap of development balance.

V.R.M. Desai also explains rural industrialisation is a key to rural development and rural prosperity. It constitutes a significant link in the process of socio-economic transformation of rural areas.


According to Krishna Kumar the development of agro-based industry like silk industry at village level is very vital to the economic development of the country.

2. Agro-Based Industries - Employment and Wages:

Venkaiah holds the view that problem of unemployment, under-employment and disguised unemployment acute day to day in spite of the planned efforts to tackle it. Present number of unemployed persons in the country is more than 40 million and the situation is likely to become very serious indeed. He called up a planned and well thought out development of agro-based industries in various types which seem to be most effective long term solution for the problems. The setting up of these industries in rural areas influences the wage levels and occupational structure of workers and contribute a significant increase in the per capita incomes of the households of agricultural workers.

He concludes that the role of agro-based industries is very significant in increasing the employment and income of the people\textsuperscript{10}.

V.R.M. Desai argues rural industrialisation provides additional opportunities of employment, income, better standard of living and thereby enriches the cultural heritage of the varied social structure in rural areas\textsuperscript{11}.

According to Rangaswamy a larger number of unemployed and unemployed people may have to be found jobs in activities other than direct cultivation of land and growing crops. This is because the land-man ratio works on land except for special occupational may not prove very productive. These workers will have to be given jobs in making improvements of a capital nature to our land and water resource, in animal based industry and in non-agricultural raw materials by products and waste materials\textsuperscript{12}.


Rangaswamy N. The role of Agro-based Industries in Rural Development, Rural Industrilisation (Eds. by O.D Heggade), 1992-93

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Dhurjati Mukherjee analyses the food processing industry has acquired added importance in recent times with the Government’s intention to give a thrust to agro-based and village industries for these, not only help in direct employment generation but also have a multiplier effect through forward and backward linkages.

Khanna and Pavate give agro-processing industries have considerable scope for the employment and income generation which is relatively higher than the other manufacturing sectors of the economy.

According to Badar Alam Iqbal today the agro-based industries constitute the backbone of a developing country. These industries have become an invaluable weapon in bringing out of harmoniously balanced and integrated socio-economic order in the world’s economy. He says the role of agro-based


industries is significant both in respect of employment and value added by manufacture, not only in the developing economies but also in the highly developed economies of the world.

Iqbal also deals in detail, taking away a few millions of people from villages to industrial cities could not remove the fundamental problem of increasing pressure of population on agriculture, lack of employment opportunities in rural areas, and the resultant limitations on equitable distribution of national income. Therefore, the strategy of economic growth has to be such that it integrates rural and urban economies by elimination required imbalance. This can be achieved only by introducing industry in the rural areas in a big way. In this process agro-based industries development would then signify a pattern of deliberate planned development that accords with the needs of rural areas in different parts of the country.  

According to Sandip Chatterjee and Taraknath Dutta the agro-processing and allied activities provide excellent scope for absorption of women and child labour force especially in the developing economies. There is enormous potential for engaging

the women labour force in the agro-processing sector for improving the quality of life.

James E. Austin says, "In developing countries in 1975, 9,734,000 people were engaged in the food and beverages industries alone; excluding fibre-processing agro-based industries, this figure constitutes 18.9 per cent of all the jobs in the manufacturing sector. The annual average growth rate in employment in these jobs between 1970 and 1975 was 6.3 per cent; this far exceeds the population growth rate 2.8 per cent and was particularly important as an employment source in the lowest income countries in which the annual average growth rate between 1970 and 1975 in these jobs was 7.9 per cent\(^1\).

3. Agro-Based Industries - Capital Structure:

Srivatsava's study showed that agro-based industries have low capital intensity, though cold storage units are very high capital intensive. The capital-labour ratio was found to be lower (i.e., Rs.


4,790 of fixed capital requirement per labour) for agro-based. Thus, labour intensity was found to be the highest in the case of agro-based (i.e., 2.09 persons per 10,000 of fixed capital)\(^1\).

Venkaiah's Study highlighted that the tobacco processing and rice milling industries are more labour-intensive industries than the Khandasari units. The sugar industry is the most capital intensive among agro-industries, requiring a capital Rs. 437.23 per manday of employment as compared to khandasari units rice milling and tobacco processing units (Rs. 41.14, 19.82 and 7.25 per manday, respectively)\(^1\).

Mehta has observed that tobacco and rice milling are most labour-intensive industries in which the fixed capital requirements per worker are very low i.e., below Rs. 500, while flour mills and


sugar industries comes under the medium group (i.e. Rs. 100-2,000)\(^20\).

According to Arora, Agro-industries are capital saving and labour intensive and offer more employment opportunities in close proximity of village and they can provide subsidiary of alternative occupation\(^21\).

In his study on agro-industries Kavimandan observed that, agro-industries had low capital-output ratios with the exception of ginning factories. Ginning factories were found having Rs. 1.71 of fixed capital per unit of output as against Rs. 0.08 in milk processing units, Rs. 0.17 in dal mills and Rs. 0.29 in oil mills. Milk processing and ginning factories are relatively labour intensive. They require 3.68 and 3.55 labour per 10,000 rupees of capital, respectively. On the


other hand, dal mills and oil mills have been found to be less labour-intensive requiring 0.83 and 0.93 labour per 10,000 rupees of capital.

Sharma using data from Annual Survey of Industries concluded that agro-industries are less capital intensive than non agro-industries. However, these labour-intensive agro-industries were found to have low labour productivity.

From the foregoing review, it is clear that agro-based industries constitutes strong linkages between agricultural and industrial sector, forward and backward linkages, occupational shift, minimise economic disparities between different population strata and different geographical areas, rural and urban development balance socio-economic transformation of rural areas, the development of infrastructure in rural areas, diversification and commercialisation of agriculture, substantial improvement in the quality of living of rural masses and rural prosperity.

Kavimandan, V.J., Role of Agro-Industries in Rural Development of Andhrapradesh, Nagpur University, Nagpur.

Another group of research findings showed that employment and income generation in agro-based industries is relatively higher than other manufacturing sector. Some authors felt and argued that these industries absorb more women and children and generation of employment opportunities exceed more than the population growth rate.

Another school of thought felt that the agro-based industries are less capital intensive than non-agro-based industries. Another important argument is that agro-based industries were found to have low labour productivity. None the less from these studies it is not possible to accurately draw an empirical evidences of economic analysis of agro-based industries.

The foregoing review of literature on economic analysis of agro-based industries helps in identifying some important research issues and gaps for further examination in the present study.

Most of the studies have a predominant bias of being macro studies. Such studies by their very nature do not take care of reality since it is not
possible to know from the top what is going on at the inner base of the maintain of the problems. However, this is not to suggest that the macro level studies were meaningless. What is intended to highlight is the fact that it is always safe to have several representative micro studies before undertaking a macro level study for making safe generalisations at the national level.

Many of the studies reviewed here are secondary data exercises related to the reported published by the Government, articles and other periodicals. The studies which analyse based on secondary data were misleading.

Empirical studies available on economic analysis of agro-based industries have been very limited. These studies have not been analyzed elaborately regarding factors influencing the extent of type of capital and cost structure, employment level and structure, availability of raw materials output products and problems faced by the industries.

The empirical analysis relates to areas like Andhra Pradesh, Bihar and Haryana and are national
level. There is no comprehensive study covering the Kolar district of Karnataka. There are a very few studies pertaining to Karnataka state such as Puttaswamaiah and Lakshman. These studies also have not analyzed in the above mentioned analysis of agro-based industries in Kolar district.

It is, therefore, necessary to undertake an independent enquiry carefully to fill up the issues and gaps of the previous studies in the study area concerned.
