Chapter - VII

PROBLEMS AND PROSPECTS OF RURAL INDUSTRIES IN SPSR NELLORE DISTRICT
7.1. INTRODUCTION

The rural industries in India both in boom and depression, for the last few centuries have been facing a variety of problems. These include scarcity of materials and finance, lack of markets, shortage of labour and storage, competition from machine-made goods, poor technology and insufficient transport facilities. The government of India has initiated several measures, launched different programmes and established a variety of institutions to serve the cause of rural industrialization following the recommendations of various committees and commissions appointed for the purpose. As the adage goes, "An event is the child of another event", the solution for a problem creates another problem. In the process of promoting modernizing, sustaining and developing the rural industries the government of India took several legislative and administrative measures to provide several facilities, concessions and subsidies. Despite all the efforts made by the government, the desired objectives could not be achieved owing to the administrative lapses, policy weaknesses, institutional deficiencies, political interventions, entrepreneurial apathy, lack of motivation on the part of artisans and the like.

Rural industries play a vital role in the economy of India. But they suffer from innumerable problems. Rural industries in developing countries like India are inter alia, beset with diversity of problems like raw-material, finance, marketing, labour, storage, transport and technology. A number of Committees and Commissions¹ have been constituted to review the progress and problems of rural industries. Based on the recommendations of these Commissions a variety of schemes like RIP, RAP, IRDP etc., have been formulated and executed by the Government over the years for modernization and speedy development of rural industries. In spite of vigorous efforts being made to promote the rural industries sector as a matter of conscious policy decision, the rural industries sector does suffer from certain problems which require special attention so that the growth rate of this sector can be accelerated further, so as to ensure that this sector really becomes an extremely potent and effective instrument for bringing about economic federalism in the true sense of the term.

The problems of rural industries seem to remain unsolved due to leakages, administrative lapses, apathy on the part of the entrepreneurs to make use of the benefits
provided under various schemes. The problems encountered by rural industries, vary from region to region, category to category and from time to time. Some of the important problems which are general to all rural industries and specific to sample units of the SPSR Nellore district are discussed in this chapter.

7.2 PROBLEMS OF RURAL INDUSTRIES

The numerous constraints of this sector studied in detail are teething troubles, License, Finance, Location, Raw materials, labour, technology, marketing, Faulty planning, High Infant Mortality. Management, transportation, storage and accounting and discussed below.

7.2.1 Teething Troubles

From the moment a small industrialist conceives the idea to start his own unit, he has to work hard against heavy odds. The first step viz. the preparation of a project report calls for the collection of data on the marketability of product chosen, the availability of raw materials, the manufacturing techniques involved, the choice of machinery and location. While a large unit can afford to pay a flat fee to a consultant for the preparation of a project report, the small industrialist has generally to rely on himself.

7.2.2. License

The next problem is to obtain the permission of and license from the Industries Department of the State, Local bodies etc. But, despite the policy of the Government, petty officials are often unhelpful – they have other ideas. A lot of time and energy are wasted in persuading these officials to perform their duties. It is also true that the small in the small scale sector does not know how to make an approach and avail itself of the various facilities announced by the Central and State Governments. Alternatively it is not in a position to communicate with the well organized, urbanized bureaucracy. These are the major handicaps which hinder the growth of the Small Scale Sector in the Country. If the production programme calls for imported machinery or raw materials, the small industrialist has the additional problem of obtaining suitable licenses and of going through import procedures which keep on changing frequently because of changes in the Government policy; as a result, people general cannot understand them easily and corruption takes deep roots in
the economy. At almost every stage, the small entrepreneur has to tip people, only the courageous and influential can face up to the corrupt and emerge successful.

7.2.3 Finance

Finance is a serious problem to any entrepreneur and especially to the rural artisans who have little or no access to financial sources. Their problem is that they cannot show either their credit worthiness or provide security for the loans given by the institutions. However, the government of India through its policy frame has been offering various programmes through which the finance is made available to different rural industrial activities at reasonable rates of interest combined with different concessions and subsidies. But every policy has its own defects and lapses and that is the case even with the financial policies of both the Central and the State Governments. The analysis made from the data collected from the select artisans reveals several complex issues in procurement, utilization and repayment of the finances by the artisans.

Either the individual artisans or the members of the co-operatives have to undergo the process laid down by either KVIB or the commercial banks. The process beginning from the filing of applications with the institution till receiving of amounts is a cumbersome one causing a lot of inconvenience and hardship to the artisans who are mostly illiterate, ignorant and innocent. The units which require more working capital on account of their long turnover period face difficulties in procuring working capital finances. Any disturbance in the production cycle would prolong the turnover period resulting in the increase of the demand for working capital.

Failure to provide the requisite security for the loans advanced by the KVIB and commercial banks is a big handicap in securing finances. Most of the rural artisans are compelled to divert their funds to different activities like repayment of old debts, religious and other ceremonies resulting in the utilization of a portion of the amount received for the production purposes. As a result the quantum of production gets reduced and thereby they have lower profits and lower returns. Further, most of the artisans squander the money received on different functions and vices.
One of the major bottlenecks in the development of rural artisan strategy is the dearth of requisite finance available to rural artisans or the rural community. They are due to the following reasons:

a. the rural artisan has a very little income;
b. he is not in a proper position to save;
c. his reinvestment capacity is very limited;
d. he has many dependents;
e. his lack of education and high consumption;
f. tendency to borrow from money lenders, at an exorbitant rates of interest;
g. he falls a prey to the clutches of the middlemen, and exploiters;
h. he has very little training to produce high quality goods and increase productivity.

Industrial finance has been one of the most important problems of the rural industrialists who are persons of small means and require short-term, medium-term and long-term finance to meet their business obligations. Short-term finance is required for the purchase of raw-materials, payment of wages and for meeting other day-to-day expenses. Medium and long term finance is needed for purchasing land, construction of buildings, installing plant and machinery etc. The main and the chronic problem of rural industries is the non availability of credit at cheaper rates of interest for purchasing raw-materials and also for meeting production expenditure.

Although efforts have been made to increase the flow of institutional credit to village and tiny industries, they are totally incomenensurate with their needs. Financial assistance to the village and small scale sector is available through commercial banks, co-operative banks, regional rural banks and the state financial corporation's under the overall guidance of the Reserve Bank of India and the Industrial Development Bank of India. Undoubtedly availability of credit is crucial to the establishment and maintenance of industry. To ensure such credit, it is important that there should be a sound and widespread financial infrastructure. Since the nationalization of banks in 1969, there has been a massive expansion of banking facilities. As a result of this, by the end of December 1984, commercial banks had 38,227 branches, of which 18,157 were in rural areas while 8,955 in semi-urban centres. In addition, 174 Regional Rural Banks had 9,254 offices located in the
countryside. Apart from commercial banks and Regional Rural Banks, credit also flows through a network of Co-operative Banks, State Financial Corporations, Small Industries Development Corporations and the National Small Industries Corporations.

The direction and flow of bank credit have also undergone major changes. A little over 40 per cent of total commercial bank advances now go to borrowers in the priority category which includes farmers, artisans, craftsmen and other weaker sections. There are also directions that 25 per cent of the total loans to the priority sector should go to borrowers in the weaker categories. To provide an incentive to banks to lend to such borrowers the Deposit Insurance and Credit Guarantee Corporation, a wholly owned subsidiary of the Reserve Bank of India covers advances up to a certain limit against loss. The National Bank for Agriculture and Rural Development (NABARD) has been established as an apex institution to provide re-finance and technical support to institution engaged in lending to agriculture and rural industries and other avocations. The Reserve Bank of India provides lines of credit to NABARD and also re-finances facilities to the Industrial Development Bank of India (IDBI). All these mechanisms are increasing substantially the flow of institutional credit to rural industries. To help the decentralized sector, a concept of composite loan has been developed. This provides for a mix of term loan and working capital.

In supporting the Integrated Rural Development Programme, the banking sector is playing a commendable role. However, sample studies made by the RBI and NABARD indicate that there has been misutilization of bank funds in several cases. This is due to defective identification of beneficiaries, wrong design of schemes, misjudgments as to their viability, bottlenecks relating to availability of raw-materials or stock in trade and marketing. Other reasons could be lack of commercial outlook and technical and management talent on the part of beneficiaries. While these findings cannot be taken as representative of the situation in general, they need careful attention. While credit is of crucial importance, its optional use depends on other complementary inputs becoming available in time on suitable terms. Recognizing the importance of marketing advance to agencies engaged in marketing of products of village industries has been included under priority sector. The Industrial Development Bank of India (IDBI) also gives assistance in setting up emporia and marketing centres for facilitating the sale of rural industry products.
It makes difficult for them to install modern machinery and tools and to maintain well-organized fully-equipped factories due to shortage of funds. Moreover, they cannot buy and store good quality of raw-materials or stock their finished goods, pack their products attractively have any sales organization of their own or furnish security deposits wherever necessary. State Finance Corporation or commercial banks take unusually long periods to dispose of loan applications. Their assistance is hardly available for initial capital or for future expansion. It is available only for the working capital needs of small scale units. These financial institutions have not shed their traditional attachment to liquidity and safety of resources. On their part the small entrepreneurs have no knowledge of industries. This apart, their lack of education and proper exposure to elementary financial management make it difficult for them to avail of financial assistance from various sources. These prospective borrowers are subject to multifarious queries often not at one time but in installments with wide gaps. This worsens the situation and quite frequently they get fed up at this stage and give up the project. This problem calls for the removal of imperfections in financial markets and replacement of security oriented credit policy, by production oriented credit policy.

7.2.4 Location

The Choice of location and getting water and power connections also call for a great deal of effort on the part of the artisans/entrepreneurs. It is not easy to decide on location, for the choice involves consideration of the availability of infrastructural facilities, the cost and tenure of acquisition, the availability of labour and the proximity of markets. Once, the location is chosen, one has to go ahead to select and purchase a plot of land and construct a shed or to take it on rent or on ownership basis. At the same time, arrangements have to be made to select and procure machinery and to get it installed.

7.2.5 Raw materials

The availability of raw materials, though they appeared to be very simple, is a serious problem in rural industries. It is a complex problem from the view-point of their availability, price, transport, ownership etc. The raw materials like cane and bamboo for basket-weaving, adds leaves and clay for pottery are neither owned by the artisans nor can be purchased at a specific price. The artisans have to go around several places to procure the raw materials, sometimes by paying some price or the other for the same. In such cases the pooling and
transporting is a difficult task. For instance, the raw material to be transported will be more than one head-load and less than a cartload. The raw materials like vegetables, cereals, pulses and nuts are sold at a higher price in the local market than in a wholesale market situated outside.

The non-availability of raw-material in sufficient quantities at reasonable prices has been one of the important problems of the rural industries. Different types of industries require different types of raw-materials. According to the availability, raw-materials can be classified into scarce raw materials and freely available raw-materials. It is estimated that the raw materials alone account for nearly 70 per cent of the ex-factory price of the products in the small-scale sector and most of these industries have to depend heavily on the open market for supply of scarce raw-materials, where the prices are more than double the controlled prices. Large scale industries being more organized take away most of the raw-materials. The inequality in the struggle for existence of small and rural units against the large units is too glaring owing to Government's faulty distribution policy of raw-materials. All the other facilities and incentives provided by the Government would have only a marginal impact unless these are accompanied by a commensurate and regular supply of essential raw-materials. Though there have been many important recommendations of the various study teams appointed by the Government for studying the problem of equitable distribution of raw-materials among the various sectors of industries, unfortunately many of these recommendations did not get implemented and the few which were implemented were not carried out with the necessary dynamism with the result, the status quo continues in several fields. Though a number of public sector undertakings like the State Trading Corporation of India, Minerals and Metals Trading Corporation of India, Hindustan Steel Ltd., Indian Drugs and Pharmaceuticals Ltd., India copper Ltd., virtually control the supply of the basic raw-materials required by the industries, these undertakings have not been able to meet the requirements of the small sector. Besides these public sector undertakings, some basic raw-materials and intermediaries are being produced by the private sector undertakings. The availability of even these items to small sector is uncertain and the prices are exorbitant. Certain components or materials needed by small industries have to be produced on a large scale for technological and economic reasons. One possible method of ensuring these would be to permit only those producers who are themselves not engaged in the business of
producing the final product in competition with the small scale producers. Preference might perhaps be given to co-operatives of small producer in this respect. A provision should, therefore, be made that the existing and intending producers of raw-materials in the large-scale sector should earmark and make available a portion of raw-materials to the small sector at reasonable prices. The village artisans and small industries may organize themselves into co-operative societies so that they can pool their resources to bargain with the supplier of raw-materials and to keep buffer stocks of raw-materials also.

Availability of requisite raw-material throughout the year at a suitable price is a pre-requisite for the success of any productive activity. Further, the raw-materials available may not be adequate and it may also not be good in quality. As a result, these industries often fail to produce goods of good quality and in requisite quantities. In fact, the rural industries get more or less a residuary treatment in raw-material distribution. Another problem is the fluctuations in prices which affect particularly the artisan type of units as they generally lack holding capacity. All other facilities and incentives provided by the Government will have only a marginal impact unless these are accompanied by a commensurate and regular supply of essential raw-materials.

7.2.6 Labour

Handling labour, which is a major contributor to industrial production, is one of the most difficult tasks of the industrialist because of the human element involved in it. One has to keep abreast of the maze of labour laws which keep changing from time to time. Labour today is fully aware of its rights. It has, therefore, to be handled with patience and understanding. Unfortunately trade unionists politicize the problems of labour and at times create a problem where there was none before. To protect their vested interests, politicians often prevent a settlement of dispute between labour and employers and thus work against the interests of both. It is very important, therefore to evolve a code of conduct for trade unionists to protect the interests of labour as well as of employers; this will add to the general prosperity and well-being of both.

Handling labour, which is a major contributor to industrial production, is one of the most difficult tasks of the industrialist because of the human element involved in it. But labour is not a serious problem to rural industrialists because these types of units employ
mostly their family members and they use hired workers only to supplement family workers in the production activity. However, some categories of rural industries (cottage match, lime, carpentry, blacksmithy and gur and khandasari etc.) which are using more hired workers, are facing labour problem due to non-availability of skilled labour in required number and competition with organized sector. The artisans have failed to move with the changing times. They have failed to acquire new skills of update nature. Consequently, the quality of product is not satisfactory. In other cases, the cost of production becomes high and the rural industrial products cannot compete with the products produced in the large scale sector.

There is ignorance and superstition due to lack of formal education. Technical education also is quite inadequate. Therefore, it is necessary to launch a massive training programme in a number of trades. The training should cover the various aspects of agro-based cottage and village industries. On the basis of resource base endowments and potentialities of rural areas, necessary training and education facilities are to be provided to improve the skills of the rural labour force.

7.2.7 Technology

In the cottage and small scale industries, the technique of manufacture is poor and primitive. They use old methods and implements. The existing techniques in a number of cases have descended from the hoary past and still retain the form, shape and size which they first had centuries ago. Thus, in many places, the weaver’s handloom is still of the old crude type while the oil ghani shows no change at all. The Ford Foundation team also came to similar conclusion when they stated: “More often than not age old methods are being used and seemingly have not been changed for generations. Thus, the production per capita is low, resulting in low earnings and low wages”.

Though the position in some small industries like light engineering industries is somewhat better, when compared to the organized large scale sector, the instruments of production and management of small industries leave much to be desired. The Planning Commission has also admitted that the development of small industries has been hampered by the low level of technology. The village artisans lack in technical education. Even if they want to introduce improved tools and implements, due to lack of finance, they use primitive and outmodeled tools. It is also pointed out that more than the availability of credit, lack of
Technical consultancy services at all level has been pointed out as the biggest obstacle in the development of small scale industry by a survey made by the Reserve Bank of India. Recognizing the need, the Government set up the small Industries Service Industries. But, technical assistance provided through these institutes is neither adequate nor effective. Facilities like testing laboratories have to be set up in large numbers. In-plant Surveys of small scale units by the small Industries Service Institutes and other bodies should be conducted so as to suggest significant improvement in productivity of these units. More research in optimum technology to suit the stage of development of the industry is to be under taken instead of indiscriminate application of techniques.

Rural industries are characterized by traditional and labour-intensive technology. Introduction of modern technology requires high dose of capital and results in displacement of labour. Hence, the solution to this problem is a bit difficult one, as countries like India are facing with labour surplus and capital shortage. Therefore, a careful policy is needed as far as introduction of modern technology is concerned. What is required is appropriate technology which is labour intensive but requires less capital. But one thing is certain that modernization of rural industries is absolutely necessary to overcome the problem of low productivity. The upgradation of the technologies of dynamic rural industries and the introduction of relatively modern technology industries in rural areas alone are likely to make rural industries an integral part of the industrialization process in the country. The technology used in rural industries varied considerably from one group of industry to another and also from region to region in terms of the use of machinery equipment, human energy, some other management problems will also arise in trying to rapidly transform the technology in such a vast number of production units. It is desirable to proceed on a well spread pilot project approach taking a group unit under each industry to intensively train all the artisans in the group. With the experience gained further refinement of the training process can be done and large scale adoption be ensured. Another problem is that the technical hierarchy for each and every of the rural industries which are in the field and which if has been proposed, should be expanded, most of them are not fully aware of the technological improvements that are going on their sectors. Keeping this in view, the Government agencies like KVIC are providing, necessary assistance to modernize these industries. Despite these, the rural industries could not make much headway in this respect.
owing to reluctance on the part of rural industrialists to move in this direction. This highlights the need for proper education and training to create consciousness among rural entrepreneurs regarding introduction of improved technology.

7.2.8 Marketing

Lack of proper marketing channels is another difficulty. The products of the Cottage Industries have to be sold mainly in the local markets. These products suffer from the following:

- lack of standardization
- poor designing
- poor quality
- lack of quality control
- lack of precision
- poor finish
- poor bargaining power
- lack of post-sale service
- brand preferences
- lack of market intelligence
- competition
- un-familiarity with export activities procedures and
- market know-how
- financial weakness.

More than the problem of production, the problem of marketing is serious for any industry and so much so to the rural industries. The success of rural industries depends upon their ability to market their products without much hardship. The governments both in the centre and states have been initiating several measures in order to ease the ticklish problem of marketing. Despite the efforts made by the government the burden of marketing finally lies on the individual artisans. In rural industries, in most of the cases, artisans have to sell their products personally. On one side they have to produce the goods and on the other they have to market them. When they are involved in the production their marketing is affected and while they are involved in marketing the production is affected. They have to adjust their
time in such a way that these two activities go simultaneously. Owing to their small scale operations the marketing cannot be made systematically by adopting new methods and techniques as is done by the large scale organization. They possess little holding capacity. Normally, therefore, they fall a victim to the middle men's machinations. In a nutshell the artisan is at cross roads while marketing the products as they can neither avoid the marketing totally nor adopt modern marketing techniques.

There is no gain saying about the fact that the success of rural industries-programme would finally rest on the marketing support. That it would be provided with lack of proper marketing channels is another difficulty. The products of the rural industries have to be sold mainly in the local markets. These products suffer from lack of standardization, quality, precision, designing, finish, demand, post-sale services, market intelligence, finance etc. They possess little holding capacity. Normally, therefore, they fall a victim to the middleman's clutches. Consequently, the rural artisans are not reaping the full benefits of their industrial activity. The artisans and craftsmen are not always quality conscious. Owing to lack of business education, the artisans quite often fail to take right decisions with regard to marketing strategy to be adopted. The rural industries should try to concentrate on the local rural and semi-urban markets. At present trade and commerce are concentrated in the urban areas. Therefore, although 75 per cent of the population lives in villages, urban areas central market and availability of these village industrial products proper care should be taken to develop the marketing of these products in the village areas themselves. Emporia and retail outlets should be opened in large numbers. A systematic market study would certainly show a number of potential outlets for rural industries.

In fact the marketing problem arises on account of exploitation by middle men in traditional markets. The middlemen buy the products in the villages themselves and sell them later in different markets at higher prices. Lack of satisfactory marketing organization in the rural areas among the craftsmen, it will ultimately compel them to penetrate into new markets. It is further observed that the rural markets remain small and urban consumers are highly selective. The products of the rural industries have to face severe competition both from those of the large and small scale industries. Absolute lack of market research and cost consciousness are some of the other important deficiencies observed in the marketing of the products of the rural industries.
7.2.9 Faulty planning

The most important one is faulty planning and inadequate appraisal of projects. No proper viability studies, technical or economic, are carried out before the units are sponsored. "Very few entrepreneurs launch their operations on the basis of a careful plan. Some are over enthusiastic about their projects and jump head long into business without surveying the market for their products or evaluating the stability of raw material prices. By the time they start production most of their earlier guesses and hopes are belied. The fact is that very few small industrialists have a clear conception of business. Most of us have had to learn the hard way. Yet some never learn and start milking their companies". This is the view expressed by P. Ravindra, owner of a small scale fabrication plant in the industrial estate in Bombay.

Even when detailed project reports are prepared, inexperienced entrepreneurs may build "Sickness" into their units from the conception stage itself by opting for an improper location, employing inadequately experienced consultants, choosing improper technology, under estimating the fixed and operational costs involved in the manufacture of their products and embarking on a project without a proper market survey. The sickness among new small scale units is attributable to their indiscriminate promotion by Government agencies to achieve employment targets fixed under plan programmes. During the Fifth Plan and in later years, there was an increased emphasis on providing job opportunities by developing small scale and tiny units. It resulted in hastily prepared and implemented programmes for the promotion of these units. Campaigns were undertaken by the promotional agencies to select unemployed educated and technically qualified persons as entrepreneurs in promoting small industries. Financial agencies like Banks were subjected to pressures to finance without adequate evaluation of the property. This appears to be the principal factor for the ever-rising incidence of sickness among newly promoted industries particularly in backward areas.

7.2.10 High Infant Mortality

Due to indiscriminate sponsoring of small units, "Infant mortality" among them is fairly high. Another consequence of this indiscriminate promotion without proper scrutiny is the spread of numerous malpractices, in the name of the small sector. It is common
knowledge that some entrepreneurs have a vested interest in remaining small. So that they may avail themselves of such Government concessions as quotas for scarce raw materials, tax rebates and power rebates and power subsidies. On the other hand some large houses have been known to use small scale units as front companies to indulge in various malpractices and defraud the Government.

7.2.11 Management

A well organized industry owes its success mainly to its good management. A successful manager is one who has anticipated his problems and prepared himself to face them squarely and in good time. He gauges the strength and weakness of his organization and appraises the new situation, to meet it he works out a strategy. Under the system of modern management, regular courses are conducted at University levels. By applying the principles of management learnt in such a course and with on-the-job training available, today's professional managers are at a much better advantage than those who had traditional training (i.e. Training by the elder family members) alone. Because of financial constraints the SSI sector is unable to employ professional managers and hence fall sick.

7.2.12 Transportation

Transportation is also a problem confronted by the artisans despite the fact that in the modern days most of the villages are linked through vehicular traffic with motor able roads. The artisans on the village side are in these days accustomed to travel even small distances by vehicles unlike in the past. But the artisans face ordeals while transporting both raw materials and finished products owing to the complexities involved in procuring material, marketing and finance. Transport becomes a problem when the industrial establishment is far away from the sources of inputs. Large industries use high quantum of raw-material so that the overall charges for transportation will become comparatively less. But the rural industries which are small in size cannot offer more transport charges for small quantity of raw-material. Most of the rural industrialists procure their raw-material themselves from the nearest places. This may divert the attention of the rural industrialists from production activity to raw-material collection actively. Further, movement of the finished products to market centre's also poses a serious problem to rural industrialists due to inadequate
transport facilities. Provision for transport facilities is necessary for the growth of any sector industry and rural industries are no exception to this.

7.2.13 Storage

Storage is not a common problem for all the rural artisans. The units face storage problem from the viewpoint of both preserving raw material and storing the finished goods. The artisans normally dwell in small houses which do not have sufficient space even for living purpose. So they cannot spare sufficient space for raw materials and cannot maintain them in proper condition till they are required for production. Similarly even the finished goods cannot be stored properly. For want of sufficient space the artisans fail to procure the raw materials, especially materials which are seasonal in nature, at cheaper rates. In the case of finished goods they are forced to sell, sometimes, at throw away prices. As a result there is an increase on the expenditure side and a decline on revenue side. The problem of storage of inputs and outputs also need proper attention. The household nature of the rural industries would not provide scope for storage of bulk of inputs in their houses. Similarly, even if they produce more goods, they are not able to keep the finished products in a right place due to lack of storage facilities. Further, this inability makes them to purchase raw-material whenever they are in need and at higher prices. Besides this, they are forced to dispose of their products at cheaper prices because of inadequate storage facilities.

6.2.14 Accounting

More often the small firms failed to separate business receipts and expenditures from household incomes. The incomplete isolation of enterprise from household accounts is particularly important in rural and artisanal enterprises where transfers between household and firm are common place and make financial accounting difficult.

7.3 PROBLEMS OF RURAL INDUSTRIES IN THE STUDY AREA

7.3.1 Problems regarding production

7.3.1.1 Category-wise distribution of production problems

The Category-wise distribution of sample rural industrial units by problems regarding production has been made and presented in the table 7.1.
The table portrays that 33 sample rural industrial units (91.7%) have problems regarding production and the remaining 3 units (8.3%) have no problems regarding production. In forest based industry, 28 units (93.3%) have problems regarding production and the remaining 2 units (6.7%) have no problems regarding production. Regarding agro & food based industry, 68 units (90.7%) have problems regarding production and the remaining 7 units (9.3%) have no problems regarding production.

In polymer & chemical industry 21 units (91.3%) have problems regarding production and the remaining 2 units (8.7%) have no problems regarding production whereas 33 units (94.37%) have problems regarding production and the remaining 2 units (5.7%) have no problems regarding production in engineering & non-conventional energy industry. Moreover, all the 20 units (100%) have problems regarding production in textile industry. In service industry 26 units (89.7%) have problems regarding production and the remaining 3 units (10.3%) have no problems regarding production. In khadi industry, 47 units (90.4%) have problems regarding production and the remaining 5 units (9.6%) have no problems regarding production.

It is concluded that majority of agro & food based industry units (24.67%) have problems regarding production and no problems regarding production (29.2%). The Chi-square analysis shows that the Chi-square value is insignificant and hence it can be inferred that the problems regarding production are not significant.
### Table 7.1
Category-wise distribution of sample Rural industrial units by problems regarding production

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Category</th>
<th>Problems production (No. of units)</th>
<th>Total (N=300)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>1</td>
<td>Mineral based Industry</td>
<td>33 (91.7)</td>
<td>3 (8.3)</td>
</tr>
<tr>
<td>2</td>
<td>Forest Based Industry</td>
<td>28 (93.3)</td>
<td>2 (6.7)</td>
</tr>
<tr>
<td>3</td>
<td>Agro &amp; Food based Industry</td>
<td>68 (90.7)</td>
<td>7 (9.3)</td>
</tr>
<tr>
<td>4</td>
<td>Polymer &amp; Chemical Industry</td>
<td>21 (91.3)</td>
<td>2 (8.7)</td>
</tr>
<tr>
<td>5</td>
<td>Engineering &amp; Non-Conventional Energy</td>
<td>33 (94.3)</td>
<td>2 (5.7)</td>
</tr>
<tr>
<td>6</td>
<td>Textile Industry (Excluding Khadi)</td>
<td>20 (100)</td>
<td>0 (.0)</td>
</tr>
<tr>
<td>7</td>
<td>Service Industry</td>
<td>26 (89.7)</td>
<td>3 (10.3)</td>
</tr>
<tr>
<td>8</td>
<td>Khadi Industry</td>
<td>47 (90.4)</td>
<td>5 (9.6)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>276 (92.0)</td>
<td>100 (8.0)</td>
</tr>
</tbody>
</table>

**Chi-Square**

\[ \chi^2 : 2.663; \text{ df= 7} \quad p=0.914^{NS} \quad TV = 14.07 \]

**Note**: Figures in parentheses are percentages to total

**Source**: Field Survey

#### 7.3.1.2 Division-wise distribution of production problems

The Division-wise distribution of sample rural industrial units by problems regarding production has been made and presented in the table 7.2.

The table portrays that out of 103 units in Nellore division, 93 sample rural industrial units (91.7 %) have problems regarding production and the remaining 10 units (9.7%) have no problems regarding production. In Gudur division, 91 sample rural industrial units (91.9%) have problems regarding production and the remaining 8 units (8.1%) have no
problems regarding production whereas 92 sample rural industrial units (93.9%) have problems regarding production and the remaining 6 units (6.1%) have no problems regarding production in Kavali division.

It is concluded that majority of the sample rural industrial units in Nellore division have problems regarding production (33.7%) and the remaining units (41.7%) have no problems regarding production. The Chi-square analysis shows that the Chi-square value is insignificant and hence it can be inferred that the problems regarding production in division wise are not significant.

<table>
<thead>
<tr>
<th>S. No</th>
<th>Divisions</th>
<th>Problems regarding production (No. of units)</th>
<th>Total (N=300)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>1</td>
<td>Nellore</td>
<td>93 (90.3)</td>
<td>10 (9.7)</td>
</tr>
<tr>
<td>2</td>
<td>Gudur</td>
<td>91 (91.9)</td>
<td>8 (8.1)</td>
</tr>
<tr>
<td>3</td>
<td>Kavali</td>
<td>92 (93.9)</td>
<td>6 (6.1)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>276 (92.0)</td>
<td>24 (8.0)</td>
</tr>
</tbody>
</table>

Chi-Square $\chi^2: 0.879; \ df=2; p=0.644^{NS}$ TV = 5.99 Not Sig

Note: Figures in parentheses are percentages to total
Source: Field Survey

7.3.1.3 Classification category-wise distribution of production problems

The classification category-wise distribution of sample rural industrial units by problems regarding production has been elicited and presented in the table 7.3.

The table depicts that in mineral based industry, 24 industrial units (23.1%) have the problem of shortage of raw materials, 25 industrial units (24%) have the problem of lack of skilled labour, 26 industrial units (25%) have the problem of lack of timely credit, 19
industrial units (18.3%) have the problem of shortage of power and 10 industrial units (9.6%) have the problem of lack of storage facilities.

In forest based industry, 19 industrial units (25.3%) have the problem of shortage of raw materials, 17 industrial units (22.5%) have the problem of lack of skilled labour, 10 industrial units (13.3%) have the problem of lack of timely credit, 15 industrial units (20%) have the problem of shortage of power and 14 industrial units (18.7%) have the problem of lack of storage facilities. In agro & food based industry, 35 industrial units (25.4%) have the problem of shortage of raw materials, 31 industrial units (22.5%) have the problem of lack of skilled labour, 29 industrial units (21%) have the problem of lack of timely credit, 23 industrial units (16.7%) have the problem of shortage of power and 20 industrial units (14.5%) have the problem of lack of storage facilities.

In polymer & chemical industry, 19 industrial units (32.2%) have the problem of shortage of raw materials, 18 industrial units (30.5%) have the problem of lack of skilled labour, 6 industrial units (10.2%) have the problem of lack of timely credit, 9 industrial units (15.3%) have the problem of shortage of power and 7 industrial units (11.9%) have the problem of lack of storage facilities. In engineering & non-conventional energy industry, 21 industrial units (19.4%) have the problem of shortage of raw materials, 26 industrial units (24.1%) have the problem of lack of skilled labour, 22 industrial units (20.4%) have the problem of lack of timely credit, 21 industrial units (19.4%) have the problem of shortage of power and 18 industrial units (16.7%) have the problem of lack of storage facilities.

In textile industry (excluding khadi), 27 industrial units (25.2%) have the problem of shortage of raw materials, 25 industrial units (23.8%) have the problem of lack of skilled labour, 16 industrial units (15.2%) have the problem of lack of timely credit, 29 industrial units (27.6%) have the problem of shortage of power and 8 industrial units (7.6%) have the problem of lack of storage facilities. In service industry, 14 industrial units (21.9%) have the problem of shortage of raw materials, 17 industrial units (26.6%) have the problem of lack of skilled labour, 10 industrial units (15.6%) have the problem of lack of timely credit, 18 industrial units (28.1%) have the problem of shortage of power and 5 industrial units (7.8%) have the problem of lack of storage facilities.
In khadi industry, 39 industrial units (24.2%) have the problem of shortage of raw materials, 42 industrial units (26.1%) have the problem of lack of skilled labour, 28 industrial units (17.4%) have the problem of lack of timely credit, 35 industrial units (21.7%) have the problem of shortage of power and 17 industrial units (10.6%) have the problem of lack of storage facilities.

It is concluded that 198 industrial units (24.3%) have the problem of shortage of raw materials, 201 industrial units (24.7%) have the problem of lack of skilled labour, 147 industrial units (18.1%) have the problem of lack of timely credit, 169 industrial units (20.8%) have the problem of shortage of power and 99 industrial units (12.2%) have the problem of lack of storage facilities.
### Table 7.3

**Category-wise distribution of sample Rural industrial units by problems regarding production**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Category</th>
<th>Total No. of Units</th>
<th>Problems regarding production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Shortage of Raw Materials</td>
</tr>
<tr>
<td>1</td>
<td>Mineral based Industry</td>
<td>36 (12.0)</td>
<td>24 (23.1)</td>
</tr>
<tr>
<td>2</td>
<td>Forest Based Industry</td>
<td>30 (10.0)</td>
<td>19 (25.3)</td>
</tr>
<tr>
<td>3</td>
<td>Agro &amp; Food based Industry</td>
<td>75 (25.0)</td>
<td>35 (25.4)</td>
</tr>
<tr>
<td>4</td>
<td>Polymer &amp; Chemical Industry</td>
<td>23 (7.7)</td>
<td>19 (32.2)</td>
</tr>
<tr>
<td>5</td>
<td>Engineering &amp; Non-Conventional Energy</td>
<td>35 (11.7)</td>
<td>21 (19.4)</td>
</tr>
<tr>
<td>6</td>
<td>Textile Industry (Excluding Khadi)</td>
<td>20 (6.7)</td>
<td>27 (25.7)</td>
</tr>
<tr>
<td>7</td>
<td>Service Industry</td>
<td>29 (9.7)</td>
<td>14 (21.9)</td>
</tr>
<tr>
<td>8</td>
<td>Khadi Industry</td>
<td>52 (17.3)</td>
<td>39 (24.2)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>300 (100)</td>
<td>198 (24.3)</td>
</tr>
</tbody>
</table>

**Note:** Figures in parentheses are percentages to total

**Source:** Field Survey
7.3.1.4 Classification division-wise distribution of production problems

The Division-wise distribution of sample rural industrial units by problems regarding production has been prepared and presented in the table 7.4.

The table depicts that in Nellore division, 72 industrial units (22.5%) have the problem of shortage of raw materials, 78 industrial units (24.4%) have the problem of lack of skilled labour, 60 industrial units (18.8%) have the problem of lack of timely credit, 65 industrial units (20.3%) have the problem of shortage of power and 45 industrial units (14.1%) have the problem of lack of storage facilities.

In Gudur division, 66 industrial units (25.2%) have the problem of shortage of raw materials, 64 industrial units (24.4%) have the problem of lack of skilled labour, 49 industrial units (18.7%) have the problem of lack of timely credit, 55 industrial units (21%) have the problem of shortage of power and 28 industrial units (10.7%) have the problem of lack of storage facilities.

In Kavali division, 60 industrial units (25.9%) have the problem of shortage of raw materials, 59 industrial units (25.4%) have the problem of lack of skilled labour, 38 industrial units (16.4%) have the problem of lack of timely credit, 49 industrial units (21.1%) have the problem of shortage of power and 26 industrial units (11.2%) have the problem of lack of storage facilities.

It is concluded that shortage of raw materials is the major problem for 36.4 per cent sample rural industrial units, lack of skilled labour is the major problem for 38.8 per cent sample rural industrial units, lack of timely credit 40.8 per cent sample rural industrial units, shortage of power for 38.5 per cent sample rural industrial units and lack of storage facilities for 45.5 in Nellore division.
### Table 7.4
Division-wise distribution of sample Rural industrial units by problems regarding production

<table>
<thead>
<tr>
<th>SL No.</th>
<th>Division</th>
<th>Total No. of Units</th>
<th>Problems regarding production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Shortage of Raw Materials</td>
</tr>
<tr>
<td>1</td>
<td>Nellore</td>
<td>103 (34.3)</td>
<td>72 (22.5)</td>
</tr>
<tr>
<td>2</td>
<td>Gudur</td>
<td>99 (33.0)</td>
<td>66 (25.2)</td>
</tr>
<tr>
<td>3</td>
<td>Kavali</td>
<td>98 (32.7)</td>
<td>60 (25.9)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>300 (100)</td>
<td>198 (66.7)</td>
</tr>
</tbody>
</table>

Note: Figures in parentheses are percentages to total

Source: Field Survey

### 7.3.2 Intensity of the Problems

#### 7.3.2.1 Category-wise intensity of the problems

The Category-wise distribution of sample rural industrial units by intensity of the problems in their own industry has been elicited and presented in the table 7.5.

The table shows that in mineral based industry, 11 units (15.5%) considered raw material a very serious problem, 20 units (18.2%) considered raw material a serious problem and mere 5 units (4.2%) considered raw material not a serious problem. In the same industry, 6 units (22.2%) considered finance a very serious problem, 14 units (17.3%) considered finance a serious problem and 16 units (8.3%) considered finance not a serious problem. Labour is very serious problem for 11 units (8.8%), serious for 17 units (16.2%) and not serious for 8 units (11.4%). Marketing is very serious for 20 units (10.4%), serious for 10 units (14.5%) and not serious for 14 units (12.1%). Storage is very serious for 4 units (7.4%), serious for 30 units (14.9%) and not serious for 2 units (4.4%). Transport problem is
very serious for 15 units (11%), serious for 8 units (13.1%) and not serious for 13 units (12.6%).

In forest based industry, 7 units (9.9%) considered raw material a very serious problem, 7 units (6.4%) considered raw material a serious problem and 16 units (13.4%) considered raw material not a serious problem. In the same industry, 5 units (6.2%) considered finance a serious problem and 25 units (13%) considered finance not a serious problem. Labour is very serious problem for 11 units (8.8%), serious for 14 units (13.3%) and not serious for 5 units (7.1%). Marketing is very serious for 11 units (9.6%), serious for 5 units (7.2%) and not serious for 14 units (12.1%). Storage is very serious for 7 units (13%), serious for 22 units (10.9%) and not serious for 1 units (2.2%). Transport problem is very serious for 15 units (11%), serious for 6 units (9.8%) and not serious for 9 units (8.7%).

In agro & food based industry, 20 units (28.2%) considered raw material a very serious problem, 30 units (27.3%) considered raw material a serious problem and 25 units (21%) considered raw material not a serious problem. In the same industry, 2 units (7.4%) considered finance a very serious problem, 19 units (23.5%) considered finance a serious problem and 54 units (28.1%) considered finance not a serious problem. Labour is very serious problem for 25 units (20%), serious for 40 units (38.1%) and not serious for 10 units (14.3%). Marketing is very serious for 19 units (16.5%), serious for 14 units (20.3%) and not serious for 10 units (29.6%). Storage is very serious for 13 units (24.1%), serious for 60 units (29.9%) and not serious for 2 units (4.4%). Transport problem is very serious for 38 units (29.7%), serious for 19 units (31.1%) and not serious for 18 units (17.5%).

In polymer & chemical industry, 10 units (14.1%) considered raw material a very serious problem, 9 units (8.2%) considered raw material a serious problem and mere 4 units (3.4%) considered raw material not a serious problem. In the same industry, 2 units (22.2%) considered finance a very serious problem, 5 units (6.2%) considered finance a serious problem and 16 units (8.3%) considered finance not a serious problem. Labour is very serious problem for 8 units (6.4%), serious for 3 units (2.9%) and not serious for 12 units (17.1%). Marketing is very serious for 11 units (9.6%), serious for 4 units (5.8%) and not serious for 8 units (6.9%). Storage is very serious for mere 1 units (1.9%), serious for 12
units (6%) and not serious for 10 units (22.2%). Transport problem is very serious for 13 units (9.6%), serious for 7 units (11.5%) and not serious for 3 units (2.9%).

In engineering & non-conventional energy industry, 8 units (11.3%) considered raw material a very serious problem, 7 units (6.4%) considered raw material a serious problem and 20 units (16.8%) considered raw material not a serious problem. In the same industry, 7 units (25.9%) considered finance a very serious problem, 5 units (6.2%) considered finance a serious problem and 23 units (12%) considered finance not a serious problem. Labour is very serious problem for 17 units (13.6%), serious for 7 units (6.7%) and not serious for 11 units (15.7%). Marketing is very serious for 14 units (12.2%), serious for 9 units (13%) and not serious for 12 units (10.3%). Storage is very serious for 5 units (9.3%), serious for 17 units (8.5%) and not serious for 13 units (28.9%). Transport problem is very serious for 8 units (5.9%), serious for 7 units (11.5%) and not serious for 20 units (19.4%).

In textile industry (excluding khadi) industry, 3 units (4.2%) considered raw material a very serious problem, 7 units (6.4%) considered raw material a serious problem and 10 units (8.4%) considered raw material not a serious problem. In the same industry, 5 units (18.5%) considered finance a very serious problem, 6 units (7.4%) considered finance a serious problem and 9 units (4.7%) considered finance not a serious problem. Labour is very serious problem for 7 units (5.6%), serious for 5 units (4.8%) and not serious for 8 units (11.4%). Marketing is very serious for 6 units (5.2%), serious for 6 units (8.7%) and not serious for 8 units (6.9%). Storage is very serious for 5 units (9.3%), serious for 13 units (6.5) and not serious for 2 units (4.4%). Transport problem is very serious for 8 units (5.9%), serious for 3 units (4.9.1%) and not serious for 9 units (8.7%).

The service industry shows that 7 units (9.9%) considered raw material a very serious problem, 9 units (8.2%) considered raw material a serious problem and 13 units (10.9%) considered raw material not a serious problem. In the same industry, 2 units (7.4%) considered finance a very serious problem, 7 units (8.6%) considered finance a serious problem and 20 units (10.4%) considered finance not a serious problem. Labour is very serious problem for 10 units (8%), serious for 11 units (10.5%) and not serious for 8 units (11.4%). Marketing is very serious for 8 units (7%), serious for 5 units (7.2%) and not serious for 16 units (13.8%). Storage is very serious for 8 units (14.8%), serious for 10 units
(5%) and not serious for 11 units (24.4%). Transport problem is very serious for 7 units (5.1%), serious for 1 units (1.6%) and not serious for 21 units (20.4%).

The khaki industry shows that 5 units (7%) considered raw material a very serious problem, 21 units (19.1%) considered raw material a serious problem and 26 units (21.8%) considered raw material not a serious problem. In the same industry, 3 units (11.1%) considered finance a very serious problem, 20 units (24.7%) considered finance a serious problem and 29 units (15.1%) considered finance not a serious problem. Labour is very serious problem for 36 units (28.8%), serious for 8 units (7.6%) and not serious for 8 units (11.4%). Marketing is very serious for 34 units (24.6%), serious for 16 units (23.2%) and not serious for 2 units (1.7%). Storage is very serious for 11 units (20.4%), serious for 37 units (18.4%) and not serious for 4 units (8.9%). Transport problem is very serious for 32 units (23.5%), serious for 10 units (16.4%) and not serious for 10 units (9.7%).

It is concluded that the raw material is a very serious problem for 71 units, a serious problem 110 units and 119 not a serious problem. Finance is a very serious problem for 27 units, a serious problem 81 units and 129 not a serious problem. Labour is a very serious problem for 125 units, a serious problem 105 units and 70 not serious a problem. Marketing is a very serious problem for 115 units, a serious problem 69 units and 116 not a serious problem. Storage is a very serious problem for 54 units, a serious problem 201 units and 45 not a serious problem. In case of transport, a very serious problem for 136 units, a serious problem for 61 units and for 103 not a serious problem.
<table>
<thead>
<tr>
<th>S. No</th>
<th>Category</th>
<th>Total No. of Units</th>
<th>Raw Material</th>
<th>Finance</th>
<th>Labour</th>
<th>Marketing</th>
<th>Storage</th>
<th>Transport</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>VS 1</td>
<td>S 2</td>
<td>NS 3</td>
<td>VS 1</td>
<td>S 2</td>
<td>NS 3</td>
<td>VS 1</td>
</tr>
<tr>
<td>1</td>
<td>Mineral based Industry</td>
<td>36</td>
<td>11</td>
<td>(15.5)</td>
<td>20</td>
<td>(18.2)</td>
<td>5</td>
<td>(4.2)</td>
</tr>
<tr>
<td>2</td>
<td>Forest Based Industry</td>
<td>30</td>
<td>7</td>
<td>(9.9)</td>
<td>7</td>
<td>(6.4)</td>
<td>16</td>
<td>(13.4)</td>
</tr>
<tr>
<td>3</td>
<td>Agro &amp; Food based Industry</td>
<td>75</td>
<td>20</td>
<td>(28.2)</td>
<td>30</td>
<td>(27.3)</td>
<td>25</td>
<td>(21.0)</td>
</tr>
<tr>
<td>4</td>
<td>Polymer &amp; Chemical Industry</td>
<td>23</td>
<td>10</td>
<td>(14.1)</td>
<td>9</td>
<td>(8.2)</td>
<td>4</td>
<td>(5.4)</td>
</tr>
<tr>
<td>5</td>
<td>Engineering &amp; Non-Conventional Energy</td>
<td>35</td>
<td>8</td>
<td>(11.3)</td>
<td>7</td>
<td>(6.4)</td>
<td>20</td>
<td>(16.5)</td>
</tr>
<tr>
<td>6</td>
<td>Textile Industry (Excluding Khadi)</td>
<td>20</td>
<td>3</td>
<td>(4.2)</td>
<td>7</td>
<td>(6.4)</td>
<td>10</td>
<td>(10.5)</td>
</tr>
<tr>
<td>7</td>
<td>Service Industry</td>
<td>29</td>
<td>7</td>
<td>(9.9)</td>
<td>9</td>
<td>(8.2)</td>
<td>13</td>
<td>(10.9)</td>
</tr>
<tr>
<td>8</td>
<td>Khadi Industry</td>
<td>32</td>
<td>5</td>
<td>(7.0)</td>
<td>21</td>
<td>(19.1)</td>
<td>26</td>
<td>(11.3)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>300</td>
<td>71</td>
<td>(100)</td>
<td>110</td>
<td>(100)</td>
<td>119</td>
<td>(100)</td>
</tr>
</tbody>
</table>

Note: 1. Figures in parentheses are percentages to total; 2. VS = Very Serious, S = Serious, NS = Not Serious
Source: Field Survey
7.3.2.2 Division-wise intensity of the problems

The Division-wise distribution of sample rural industrial units by intensity of the problems in their own industry has been derived and presented in the table 7.6.

The table shows that in Nellore division, 13 units (2.6%) considered raw material a very serious problem, 29 units (28.2%) considered raw material a serious problem and 61 units (59.2%) considered raw material not a serious problem. In the same division, 7 units (6.8%) considered finance a very serious problem, 39 units (37.9%) considered finance a serious problem and 57 units (55.3%) considered finance not a serious problem. Labour is very serious problem for 55 units (53.4%), serious for 15 units (14.6%) and not serious for 33 units (32%). Marketing is very serious for 69 units (67%) and serious for 34 units (32%). Storage is very serious for 25 units (24.3%) and serious for 78 units (75.7%). Transport problem is very serious for 70 units (68%), serious for 18 units (17.5%) and not serious for 15 units (14.6%).

In Gudur division 31 units (31.3%) considered raw material a very serious problem, 32 units (32.3%) considered raw material a serious problem and 36 units (36.4%) considered raw material not a serious problem. In the same division, 9 units (9.1%) considered finance a very serious problem, 21 units (21.2%) considered finance a serious problem and 69 units (69.7%) considered finance not a serious problem. Labour is very serious problem for 30 units (30.3%), serious for 45 units (45.5%) and not serious for 24 units (24.2%). Marketing is very serious for 31 units (31.3%) and serious for 21 units (21.2%) and 47 units (47.5%) considered finance not a serious problem. Storage is very serious for 9 units (9.1%) and serious for 70 units (70.1%) and 20 units (20.2%) considered finance not a serious problem. Transport problem is very serious for 37 units (37.4%), serious for 25 units (25.3%) and not serious for 37 units (37.4%).

The table shows that in Kavali division, 27 units (27.6%) considered raw material a very serious problem, 49 units (50%) considered raw material a serious problem and 22 units (22.4%) considered raw material not a serious problem. In the same division, 11 units (11.2%) considered finance a very serious problem, 21 units (21.4%) considered finance a serious problem and 66 units (67.3%) considered finance not a serious problem. Labour is very serious problem for 40 units (40.8%), serious for 45 units (45.9%) and not serious for 13
units (13.3%). Marketing is very serious for 15 units (15.3%) and serious for 14 units (14.3%) and 69 units’ not serious problem (70.4%). Storage is very serious for 20 units (20.4%) and serious for 53 units (54.1%) and 22 not serious problem (22.5%). Transport problem is very serious for 29 units (29.6%), serious for 18 units (18.4%) and not serious for 51 units (52%).

It is concluded that the raw material is a very serious problem for 71 units, a serious problem 110 units and 119 a not serious problem. Finance is a very serious problem for 27 units, a serious problem 81 units and for 129 not a serious problem. Labour is a very serious problem for 125 units, a serious problem 105 units and 70 not a serious problem. Marketing is a very serious problem for 115 units, a serious problem 69 units and 116 not a serious problem. Storage is a very serious problem for 54 units, a serious problem 201 units and 45 not a serious problem. In case of transport, a very serious problem for 136 units, a serious problem for 61 units and for 103 not a serious problem.
Table 7.6

Division-wise distribution of sample Rural industrial units by intensity of the problems in their own industry

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Divisions</th>
<th>Total No. of units</th>
<th>Raw Material</th>
<th>Marketing</th>
<th>Storage</th>
<th>Transport</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>VS</td>
<td>S</td>
<td>NS</td>
<td>VS</td>
</tr>
<tr>
<td>1</td>
<td>Nellore</td>
<td>103 (34.3)</td>
<td>13 (12.6)</td>
<td>18.3</td>
<td>29 (28.2)</td>
<td>26.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>VS</td>
<td>S</td>
<td>NS</td>
<td>VS</td>
</tr>
<tr>
<td>2</td>
<td>Gadur</td>
<td>99 (33.0)</td>
<td>31 (31.3)</td>
<td>45.7</td>
<td>32 (32.3)</td>
<td>29.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>VS</td>
<td>S</td>
<td>NS</td>
<td>VS</td>
</tr>
<tr>
<td>3</td>
<td>Kavali</td>
<td>98 (32.7)</td>
<td>27 (27.6)</td>
<td>38.0</td>
<td>49 (50.0)</td>
<td>44.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>VS</td>
<td>S</td>
<td>NS</td>
<td>VS</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>300 (100)</td>
<td>100 (73.7)</td>
<td>100 (36.7)</td>
<td>100 (39.7)</td>
<td>100 (39.7)</td>
</tr>
</tbody>
</table>

\[ \chi^2 \text{ (Raw Material) } = 33.20; \text{ df= 4} \text{ TV = 9.49 Sig at 0.05 Level} \]
\[ \chi^2 \text{ (Finance) } = 9.83; \text{ df= 4} \text{ TV = 9.49 Sig at 0.05 Level} \]
\[ \chi^2 \text{ (Labour) } = 32.85; \text{ df= 4} \text{ TV = 9.49 Sig at 0.05 Level} \]
\[ \chi^2 \text{ (Marketing) } = 112.10; \text{ df= 4} \text{ TV = 9.49 Sig at 0.05 Level} \]
\[ \chi^2 \text{ (Storage) } = 35.20; \text{ df= 4} \text{ TV = 9.49 Sig at 0.05 Level} \]
\[ \chi^2 \text{ (Transport) } = 41.09; \text{ df= 4} \text{ TV = 9.49 Sig at 0.05 Level} \]

Note: 1. Figures in parentheses are percentages to total
2. VS = Very Serious, S = Serious, NS = Not Serious

Source: Field Survey

282
7.3.2.3 Category-wise ranking of intensity of the problems

The Category-wise distribution of sample rural industrial units by intensity of the problems in their own industry has been evaluated and presented in the table 7.7.

The table portrays that in mineral industry, khadi industry has the problem of raw material and assumes 1st rank, forest based industry has finance problem and assumes 1st rank, Polymer & Chemical Industry has labour problem and assumes 1st rank, agro & food based industry has marketing and storage problem and assumes 1st rank and service industry has transport problem and assumes 1st rank. The various ranks are varied owing to various problems and the problems vary from division to division and hence one variable assumed 1st rank in one division may assume 2nd or 3rd rank in other division.
<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Category</th>
<th>Materials Rank</th>
<th>Rank</th>
<th>Labour Rank</th>
<th>Mark-</th>
<th>Storage Rank</th>
<th>Trans Rank</th>
<th>Rank</th>
<th>Port</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mineral based</td>
<td>1.83</td>
<td>(0.65)</td>
<td>7</td>
<td>1.92</td>
<td>4</td>
<td>1.94</td>
<td>4</td>
<td>1.94</td>
</tr>
<tr>
<td>2</td>
<td>Industry</td>
<td>2.06</td>
<td>(1.26)</td>
<td>4</td>
<td>1.80</td>
<td>5</td>
<td>1.80</td>
<td>8</td>
<td>1.80</td>
</tr>
<tr>
<td>3</td>
<td>Forest Based</td>
<td>2.10</td>
<td>(1.40)</td>
<td>6</td>
<td>1.85</td>
<td>3</td>
<td>1.85</td>
<td>6</td>
<td>1.85</td>
</tr>
<tr>
<td>4</td>
<td>Industry</td>
<td>2.30</td>
<td>(0.84)</td>
<td>4</td>
<td>2.83</td>
<td>(73)</td>
<td>2.83</td>
<td>1</td>
<td>2.83</td>
</tr>
<tr>
<td>5</td>
<td>Agro based</td>
<td>1.71</td>
<td>(0.38)</td>
<td>6</td>
<td>1.80</td>
<td>(71)</td>
<td>1.80</td>
<td>1</td>
<td>1.80</td>
</tr>
<tr>
<td>6</td>
<td>Food based</td>
<td>2.07</td>
<td>(0.78)</td>
<td>4</td>
<td>2.69</td>
<td>(66)</td>
<td>2.69</td>
<td>2</td>
<td>2.69</td>
</tr>
<tr>
<td>7</td>
<td>Industry</td>
<td>2.31</td>
<td>(0.84)</td>
<td>1</td>
<td>2.83</td>
<td>(85)</td>
<td>2.83</td>
<td>1</td>
<td>2.83</td>
</tr>
<tr>
<td>8</td>
<td>Industry</td>
<td>1.74</td>
<td>(0.75)</td>
<td>8</td>
<td>2.61</td>
<td>(66)</td>
<td>2.61</td>
<td>4</td>
<td>2.61</td>
</tr>
<tr>
<td>9</td>
<td>Industry</td>
<td>2.34</td>
<td>(0.75)</td>
<td>5</td>
<td>1.94</td>
<td>(89)</td>
<td>1.94</td>
<td>5</td>
<td>1.94</td>
</tr>
<tr>
<td>10</td>
<td>Industry</td>
<td>2.46</td>
<td>(0.84)</td>
<td>3</td>
<td>6.83</td>
<td>(89)</td>
<td>1.83</td>
<td>5</td>
<td>1.83</td>
</tr>
<tr>
<td>11</td>
<td>Industry</td>
<td>2.20</td>
<td>(0.66)</td>
<td>7</td>
<td>6.83</td>
<td>(92)</td>
<td>1.83</td>
<td>7</td>
<td>1.83</td>
</tr>
<tr>
<td>12</td>
<td>Industry</td>
<td>2.22</td>
<td>(0.75)</td>
<td>2</td>
<td>7.17</td>
<td>(92)</td>
<td>7.17</td>
<td>2</td>
<td>7.17</td>
</tr>
<tr>
<td>13</td>
<td>Industry</td>
<td>2.10</td>
<td>(0.66)</td>
<td>6</td>
<td>2.05</td>
<td>(92)</td>
<td>2.05</td>
<td>6</td>
<td>2.05</td>
</tr>
<tr>
<td>14</td>
<td>Industry</td>
<td>2.22</td>
<td>(0.66)</td>
<td>5</td>
<td>2.20</td>
<td>(92)</td>
<td>2.20</td>
<td>5</td>
<td>2.20</td>
</tr>
<tr>
<td>15</td>
<td>Industry</td>
<td>2.30</td>
<td>(0.66)</td>
<td>4</td>
<td>2.10</td>
<td>(92)</td>
<td>2.10</td>
<td>4</td>
<td>2.10</td>
</tr>
<tr>
<td>16</td>
<td>Industry</td>
<td>2.40</td>
<td>(0.66)</td>
<td>3</td>
<td>1.93</td>
<td>(66)</td>
<td>1.93</td>
<td>3</td>
<td>1.93</td>
</tr>
<tr>
<td>17</td>
<td>Industry</td>
<td>2.50</td>
<td>(0.66)</td>
<td>2</td>
<td>1.38</td>
<td>(66)</td>
<td>1.38</td>
<td>2</td>
<td>1.38</td>
</tr>
<tr>
<td>18</td>
<td>Industry</td>
<td>1.82</td>
<td>(0.66)</td>
<td>1</td>
<td>1.82</td>
<td>(66)</td>
<td>1.82</td>
<td>1</td>
<td>1.82</td>
</tr>
</tbody>
</table>

**Note:** Figures in parentheses are percentages to total.

Source: Field Survey
7.3.2.4 Division-wise ranking of intensity of the problems

The problems such as raw materials, finance, labour, marketing, storage and transport have been assigned ranking basing on their intensity in order to give priority solution. The division-wise distribution of sample rural industrial units by intensity of the problems in their own industry has been ranked and presented in the table 7.8.

The table portrays that in Nellore division the problem of raw material assumes 1st rank, labour assumes 2nd rank, finance, marketing, storage and transport assume 3rd rank. In Gudur division finance, labour and storage assume 1st rank, raw material and marketing assume 2nd rank. In case of Kavali division, marketing and transport assume 1st rank, finance and storage assume 2nd rank and raw material and labour assume 3rd rank. The various ranks are varied owing to various problems and the problems vary from division to division and hence one variable assumed 1st rank in one division may assume 2nd or 3rd rank in other division.

It is concluded that raw material problem as rank 1 persists in Nellore division, finance and labour as rank 1 persists in Gudur division and marketing as rank 1 persists in Kavali division.
Table 7.8
Division-wise distribution of sample Rural industrial units by Intensity of the Problems in their Own Industry
(N=300)

<table>
<thead>
<tr>
<th>SL No</th>
<th>Divisions</th>
<th>Raw Materials Rank</th>
<th>Finance Rank</th>
<th>Labour Rank</th>
<th>Marketing Rank</th>
<th>Storage Rank</th>
<th>Transport Rank</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nellore</td>
<td>2.47 (.71)</td>
<td>2.49 (.62)</td>
<td>1.79 (.90)</td>
<td>2.33 (.47)</td>
<td>1.76 (.43)</td>
<td>1.47 (.74)</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Gudur</td>
<td>2.05 (.83)</td>
<td>2.61 (.65)</td>
<td>1.94 (.74)</td>
<td>2.16 (.88)</td>
<td>2.11 (.53)</td>
<td>2.00 (.87)</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Kavali</td>
<td>1.95 (.71)</td>
<td>2.56 (.69)</td>
<td>1.72 (.69)</td>
<td>2.55 (.75)</td>
<td>2.05 (.68)</td>
<td>2.22 (.88)</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2.16 (.78)</td>
<td>2.55 (.65)</td>
<td>1.82 (.79)</td>
<td>2.00 (.88)</td>
<td>1.97 (.57)</td>
<td>1.89 (.89)</td>
<td></td>
</tr>
</tbody>
</table>

Note: Figures in parentheses are percentages to total
Source: Field Survey
7.3.3 Seriousness of intensity of the problems

The problems of raw materials, finance, labour, marketing, storage and transport have been considered under very serious, serious and not serious in order to give priority solution. The category-wise distribution of sample rural industrial units by intensity of the problems in their own industry has been evaluated and presented in the table 7.9.

The table quite obviously shows that 528 units have the problems very serious including transport (136), labour (125), marketing (115), raw material (71), storage (54) and finance (27). Moreover, 627 units have serious problems including storage (201), raw material (110), labour (105), finance (81), marketing (69) and transport (61) but 645 units have no serious problems.

In the intensity of problems, finance is very serious and assumes first rank, followed by raw material assumes 2nd rank, marketing assumes 3rd rank, storage assumes 4th rank, transport assumes 5th rank and labour assumes last with 6th rank. It is concluded that finance is a very serious problem for all the sample rural industrial units.

### Table 7.9
Category-wise distribution of sample rural industrial units by intensity of the problems in their own industry

<table>
<thead>
<tr>
<th>Problems</th>
<th>Very Serious</th>
<th>Serious</th>
<th>Not Serious</th>
<th>Total Scores</th>
<th>Mean Scores</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material</td>
<td>71</td>
<td>110</td>
<td>119</td>
<td>648.00</td>
<td>216.00</td>
<td>2</td>
</tr>
<tr>
<td>Finance</td>
<td>27</td>
<td>81</td>
<td>192</td>
<td>765.00</td>
<td>255.00</td>
<td>1</td>
</tr>
<tr>
<td>Labour</td>
<td>125</td>
<td>105</td>
<td>70</td>
<td>545.00</td>
<td>181.67</td>
<td>6</td>
</tr>
<tr>
<td>Marketing</td>
<td>115</td>
<td>69</td>
<td>116</td>
<td>601.00</td>
<td>200.33</td>
<td>3</td>
</tr>
<tr>
<td>Storage</td>
<td>54</td>
<td>201</td>
<td>45</td>
<td>591.00</td>
<td>197.00</td>
<td>4</td>
</tr>
<tr>
<td>Transport</td>
<td>136</td>
<td>61</td>
<td>103</td>
<td>567.00</td>
<td>189.00</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>528</td>
<td>627</td>
<td>645</td>
<td>3483</td>
<td>1239</td>
<td></td>
</tr>
</tbody>
</table>

7.4 PROSPECTS OF RURAL INDUSTRIES

Over the period the development of rural industries has come to be regarded as an integral part of rural development and to the extent it included the small scale industries also an element in the overall programme of industrialization. The latter aspect was
particularly focused in the common production programme which sought to establish integration and linkages between rural and small scale industries on the one hand and large scale industries on the other. Its elements consisted of assured market for small units and positive assistance through the supply of raw materials, technical guidance, training and marketing facilities. In effect, the main emphasis has been on the protection and reservation or demarcation of the spheres of production for different sectors. The technological and organizational conditions necessary to obtain the fullest advantage of a protected market did not receive an equal emphasis. Thus even the specialized agencies in the form of Boards and Commissions created for the development of rural industries could not prove effective in re-invigorating the traditional rural industries to provide employment with increasing levels of income and to become an integral part of the industrial development process. The rural industries projects have had only a limited success; the employment generated by assisted projects and units had fallen far short of expectation, establishment and promotional costs have been high in promotion to actual production; the assisted units have had a high degree of under utilization and the programme has not succeeded in disseminating industrial and business intelligence among the people and create a congenial climate for industrial development in rural areas.

In spite of the stated intention of making rural industrial development an integral part of rural development on the one hand and of the process of industrialization on the other, apart from making it an effective instrument for the creation of productive employment in rural areas, the rural industrial sector has remained relatively stagnant, has made very little impact on the rural scene and has been by and large insulated from the overall industrialization process in the country. In fact, if past trends are any indicators the traditional manufacturing sector in rural areas is bound to disappear in spite of all the protection and support it has been given. This is particularly true of the rural household sector which experienced a decline of 1.6 per cent per annum in employment over 1961-71 while the non-household rural industry has experienced a growth rate of 4.1 per cent per annum. But, the latter employs only 1.9 per cent of the total rural labour force, while the traditional industries account for 4.4 per cent of the rural workers. It may be noted that the growth rate of employment in non-household industries was higher at 4.1 per cent in the rural areas than even in urban areas (3.8 per cent). If rural industrialization is to be stimulated, it is necessary to reduce the absolute decline in the household sector
so that it may absorb the labour displaced from the household sector. The growth of the non-household sector will, however, have to be higher than the rate of decline in the household sector if it is to absorb the surplus labour from agriculture.

The relatively poor performance of the rural industrial sector in stimulating rural development in becoming a link in the industrialization process of the country, despite extensive programmes of protection and assistance, is, to a large extent, due to a rather restrictive approach to the problem. The approach has sometimes been heavily loaded with a priori notions, which inhibit the treatment of the problem with an open mind. The preservation of traditional rural industries is often viewed as an objective in itself without examining their likely role in the process of overall rural and national development and the changes that may be necessary in these industries before they can play their proper role. That is how "protection" rather than development and modernization became the main plank of the policy and programmes of rural industries. Forced reservation as opposed to the creation and effective utilization of inter-sectoral linkages is bound to fail. Walking on two legs in a mixed economy, with the private sector dominant, is not viable in the long run, particularly when the "two legs" compete rather than co-operate with each other.

The aspects of linkages and integration have tended to get little attention because the development of "rural industries has received greater attention than the diversification of industries into rural areas; because employment has received almost an exclusive emphasis even at the cost of growth, productivity and incomes; because the emphasis on traditional skills and technology has been interpreted rather literally thus inhibiting the scope for improvement in productivity to make these industries more remunerative; because a scare of modern urban industry has characterized the policy and jeopardized the positive approach of co-operation, integration and linkages, because the rural industries and their development have often been looked as a means of "Village Survival" and a part of the call of "back-to-villages" rather than as an instrument of growth, and because the household mode of production has been ever-emphasized some times to the detriment of the expansion of units and diversification of the rural industrial structure. Rural industries have, therefore continued to be a marginal activity in rural areas and an inefficient and unlinked appendage of the industrial structure of the Country. Hence, they face an uncertain future; they can sustain themselves as long as there is a stubborn persistence of poverty in rural India.
Raw material being a threatening problem to majority of the artisanal activities, especially to those which are traditional, the government should initiate measures to ensure uninterrupted supply of raw materials. However, it can be suggested that the KVIB and other agencies involved in the promotion of rural industries should see to the availability of the raw materials before sanctioning loans. If there is shortage of material the agencies must find the ways and means to procure them or ensure their proper supply.

The reframing of rural institutions especially, the financial institutions for serving the cause of the rural people is to be viewed as a continuous process and not simply an act. Nationalization and even creation of new financial and promotional institutions are only a beginning. They have to be properly manned, supervised and directed for minimizing the role of intermediation and infiltration, which are very much prevalent in SPSR Nellore district.

Long-run strategy of rural industrialization would require not merely the development of existing rural industries, but also a programme of infusing increasingly a larger component of "non rural" industries in rural areas. From the view point of policy issues rural industrialization should be understood as complex as large industry. At the district level the KVIB, DIC and such other agencies involved in the promotion, assistance and development of rural industries should undertake the feasibility studies by involving the officials along with the experts in the field for establishing the rural industries. The feasibility studies should especially emphasize the availability of raw material, transport facilities, marketability of the products, state of technology and the like.

When the researcher interacted with the officials of KVIB and other agencies it was revealed that they were poorly endowed with the required information related to artisanal activities in the villages to whom they have financed. The information available with the officials is quite inadequate. This aspect was understood by the researcher when he visited the artisan units and discussed the issues with them. Thus, there was a wide gap of information between the actual situation prevailing at the villages and understanding of the officials. This gap is to be bridged so as to promote and develop the rural units in these villages where the development would yield better results both to the artisans and the organizations.

In the course of discussion held with the artisans and visits made to the units, it came to the notice of the researcher that the artisans use the old implements and tools for
manufacturing their products. For want of proper demonstration it could not be materialized. However, there must be an institute at the all India level and at the state level to undertake the research to modernize the tools and equipment that are being used by the artisans. A little improvement in the existing tools and equipment would facilitate the artisans to do a better job. S.W. Taylor who has advocated the modernization of tools and equipment in his scientific management for improving his contemporary conditions should be recalled in order to better the conditions and activities of rural artisans.

In order to make marketing more effective the division of work must be introduced by forming the individual artisans into groups. This is, of course, taking place whenever the artisans volunteer themselves but this must be a stipulation by the KVIB while advancing loans. This kind of forming small groups would facilitate artisans to lead an organization life by adjusting with and accommodating others. Further, this kind of organized setting would help facilitate the mutual adjustments of their time and skills among themselves. As a result, the artisans who are skilful in production can be used for production and those who are skilful in marketing can be used for marketing.

On account of the fact that the rural artisans/units are procuring raw materials from outside the village to the tune of 53 per cent, the transport is a serious problem and it needs due consideration by the planners and the agencies involved in the process of rural industrialization. The KVIB may also consider the proposal of financing certain people who can procure and supply raw materials to the artisans in the villages or the artisan complexes.

From the view-point of providing the storage facilities to the individuals in the complexes, the KVIB may take a site or building useful for the storage of raw materials procured by the artisans. The KVIB may deduct some amount from the artisans while granting loans and provide space for keeping their raw materials or finished products or the KVIB may bear the entire expenditure under assistance. Above all the agencies like KVIB, DIC etc., should think of the most crucial factor of motivation the artisan in order to realize the need for utilizing their human resources effectively for leading a better life. It is because the apathy and indifference of the artisans is the greatest cause for the inefficient and ineffective state of artisanal activity. Thus, the motivational technology suitable to these artisans is to be designed along with the assistance, say, finance, marketing and production.
The development of rural industries is constrained by the presence of certain operational problems and this tendency prevents in sample units in varying degrees. Since Independence, through Industrial policy Resolutions the Government has been aiming at ensuring decentralized cottage, village and small-scale industrial sectors to acquire sufficient vitality to be self supporting. However, the rural industries continue to suffer from variety of problems as the Government policy towards them appears to be protectionistic rather than promotional. In recent times certain schemes have been launched to promote and modernize rural industries. The effect of these efforts seems to be marginal and the rural industries are still in the grip of various circles of problems primarily due to improper identification of projects, leakage in delivery of raw materials and credit and provision of inadequate socio-economic infrastructure besides techno-economic services.

It is evident from what is discussed above that all rural industries are afflicted with a multitude of problems. It is true that there are some variations in the nature and extent of the problems experienced by the different rural industry groups. There are again some variations among the different sample units within the same industry-group also in the matter of the extent and nature of the problem with which they are confronted with. It is high time, that feasible ways and means have to be found out to overcome these problems without any further loss of time. It is only then that we can visualize a bright and prosperous future for the rural industries in SPSR Nellore district.

CONCLUSION

The rural industries in India both in boom and depression, for the last few centuries have been facing a variety of problems. These include scarcity of materials and finance, lack of markets, shortage of labour and storage, competition from machine-made goods, poor technology and insufficient transport facilities. Agro & food based industry units (24.67%) have problems regarding production and no problems regarding production (29.2%). Majority of the sample rural industrial units in Nellore division have problems regarding production (33.7%) and the remaining units (41.7%) have no problems regarding production. Around 198 industrial units (24.3%) have the problem of shortage of raw materials, 201 industrial units (24.7%) have the problem of lack of skilled labour, 147 industrial units (18.1%) have the problem of lack of timely credit, 169 industrial units (20.8%) have the problem of shortage of power and 99 industrial units (12.2%) have the problem of lack of storage facilities.
REFERENCES


3. Ibid.


11. Ibid. P. 17.

