CHAPTER VIII

SUMMARY & CONCLUSION
India is a large country with about six lakh villages scattered far and wide throughout the country. Nearly about 78 percent of the country’s population live in these villages.

Rural India is confronted with many intricate socio-economic problems, which GLP (Globalisation, Liberalisation and Privatisation) is not able to take care of. These are: mounting unemployment and underemployment, high incidence of poverty and low rate of decline in BPL (Below Poverty Line) population, widening regional and intra-regional disparities, etc. Agriculture being the main source of livelihood for a large part of her labour force; the pressure of population on land is already high and still increasing.

The worrying fact is that the state of Orissa has the highest percentage of BPL population in both rural and urban sectors. The state-specific poverty estimates recently released by the Planning Commission is a pointer. The BPL population of the state at 48% in rural area (and 42.8% in urban area) is the highest in the country.

In order to raise the people above the poverty line, to siphon off surplus population from agriculture which is in the process of transformation and to achieve balanced inter-sectoral and regional development dynamically, there is need for the creation of additional productive employment by fostering activities allied to agriculture and forestry and laying a strong rural industrial base.
Rural industries do not require much of technical personnel and as such are suitable for the areas where shortage is prevalent not only in capital supply, but also in technically qualified persons able and willing to start industries. They use local manpower, local skill, local resources and cater to local demand. It is what the Chinese call the philosophy of four locals. Thus the rural industries are a potent weapon in the hands of policy makers to fight inflation, unemployment, poverty and rural exodus.

An attempt was, therefore, made to study and present the conceptual and theoretical issues and public policy history of rural industrialisation in India in Chapter II. A number of industrial policies have been declared and development programmes were undertaken by the Government in relation to rural industries and rural industrial development in the country. These policies and programmes of the Government have been divided into two broad categories, viz; Sectoral Programmes and Area Development Programmes.

Till the Eighth Five Year Plan, rural industries were clubbed together with Village and Small Scale Industries (VSI) sector. Therefore most of the benefits of the promotional programmes meant for this VSI sector have been enjoyed by the dominant small scale industry sector. It is observed that though in absolute terms, the public sector outlays for VSI sector have increased from plan to plan, its proportionate share in industrial and total plan outlays has gone down.

The attempt to review Government policies towards rural industries shows that the traditional industries have been left for behind in overall industrialisation efforts. This sector in general has not been able to enjoy the
benefits of Government policies except to a very small extent during the plan period and the post-GLP periods.

Then we focused on the profile of regional economy, starting with the historical, geographical and cultural background of the Balangir district of Orissa state (India) and going into socio-economic status in the Post-Globalisation period.

Balangir is a highly backward district of Western Orissa. The Government of India have identified it as part of the poverty stricken K-B-K (Kalahandi-Balangir-Koraput) segment of Orissa, which needs special attention.

In this district, agriculture still continues to be the main source of livelihood for 71.09% of the population. More than 88% of the total population of the district lives in the villages. Poverty there is rampant, because as large as 61% of the population in the district are below the poverty line. Major industrial development in the district is still a dream. Infrastructural facilities are low. Thus the district is having all the characteristics of a highly backward economy. Computing the index of industrial backwardness of the district, the Government of India have declared it as "No Industry District".

Rural industries, particularly cottage and household units constitute the main source of income and employment of mostly non-agricultural households of the district.

An attempt has been made in the present study to probe into the unexplored region of the economic activities of the rural folk of this locality engaged in the secondary sector and to examine various aspects of rural industries working in the district. The study pertains to the nature of their
working and management, their organisation, structure, productivity, economic viability and their capacity to generate employment opportunities and linkage effects.

Besides, the study has also analysed the performance and constraints of rural industries and formulated broad framework of strategy for industrial development of the rural areas. It may shape/reshape Government policy/strategy for achieving integrated rural development.

For the purpose of study, 241 units covering 35 categories of industries classified under 9 industrial groups have been selected from the district by making use of multistage stratified (simple) random sampling method. Primary data were then collected through structured interview schedules from the entrepreneurs of the sample industrial units. The skilled labourers were also consulted while collecting data in the field. The connected financial institutions were also covered during the survey to confirm some of the data so collected.

Relevant/statistical tools and techniques were employed for analysis of the primary and secondary data and testing of hypotheses. To measure the effects of various inputs on output, Cobb-Douglas Production function has been applied.

The cross section study reveals that in case of traditional village artisanal units, caste industry nexus is very strong and deep rooted. These industries are mostly inherited and only a few have been started by the present generation.

The association of forward caste in these activities is almost nil and the entrepreneurs of these castes concentrate on remunerative non-traditional
industrial units. In most of the non-traditional industries, the caste affiliation has been loosened.

It is found that as large as 87.55% units are run as main family occupation and the remaining are run as the subsidiary. 54.98% of the units have been started by the present generation, whereas the remaining units are inherited.

Various training programmes organised by the Government are found to have favourable effect and near about 96% of the entrepreneurs are skilled. Out of the skilled entrepreneurs, 41.99% have inherited skill and most of them belong to the traditional industries. The remaining 58.01% entrepreneurs have received skills through formal training.

One deviation from all earlier studies and findings is in respect of institutional finance: 78.73% of the entrepreneurs are covered by institutional finance. The dominance of village moneylenders as a source of finance has been done away with altogether. The Regional Rural Banks are the leading institutions financing the rural industries having 42.41% beneficiaries in the sample area followed by the State Bank of India. The DIC sponsored schemes are significant in overall institutional lending system.

It is observed that 50.28% of the total workers of the rural industries constitute household workers and the remaining are hired workers. But when we take the cases of individual industries, we find that most of the traditional industries like blacksmithy, pottery, etc. do not use hired labour at all.
The average mandays worked by the household workers stand at 245 in a year. Out of the total household workers, 37.73% are found to have full employment in their own industries/units.

The highest fixed capital investment, i.e., Rs.15,40,000 is in stone works and stone crushers and the lowest investment in fixed capital, i.e., Rs. 200 is in leaf plate and paper bags making units. Likewise, the highest working capital of Rs.31, 82,400 is invested in one carpet making unit, while the lowest working capital of Rs.300 is the requirement of a bee keeping unit.

The capital-output ratio - capital required to produce one unit of output - is low in all rural industries except three industrial groups, such as Agro-processing Units, Metal based units and Mineral and Quarry based units. Likewise, the ratio of fixed capital to output is the lowest in all categories of rural industries. Taking all the industries under study, capital-output ratio and fixed capital-output ratio on an average are 0.745 and 0.390 respectively. It implies that rural industries make efficient use of scarce resources of the economy.

Cobb-Douglas Production Function applied in case of sample industrial units to measure the effects of labour, capital and rawmaterial on output shows that raw material is the most important variable influencing output of rural industries. The regression co-efficients of rawmaterials are found to be high and significant in relation to capital and labour in most of the rural industries. The analysis also shows that all the sample units are operating under decreasing returns to scale.

The relation between output and fixed capital is positive and significant in case of 3 categories of industries; whereas this relation is found to
be negative and insignificant in case of 2 categories of industries. For the remaining 4 categories, this relationship is not significant.

In most of the industries, mandays of employment is positively and significantly related to value added. That means, value added in these industries can be increased significantly by increasing the number of mandays.

A significant and positive relationship between employment and total capital is not found in most of these industries. That means an increase in the scale of capital investment reduces the employment potential of these industries except in case of three industries like Mineral and Quarry based, Village Artisanal and Service units. As most of these industries are labour intensive and require usually a smaller amount of capital, a significant relation between capital and employment as such is not expected.

In all the industries except Metal based units, the output is found to be positively and significantly related to value added per worker. That means, value added per worker or the capacity of the units to generate incomes for those engaged in rural industries depends positively on the levels of output they help to produce.

The value added per worker is negatively related to total capital in case of all the industries except Agro-processing, Mineral and Quarry based and service units. On the other hand, the value added per worker is inversely related to the number of workers in all the cases except village Artisan Units where the relation is positive but not significant.

The correlation between labour intensity and capital efficiency is positive and significant in all the cases except Village Artisan Units. It is evident that labour intensive industries use capital efficiently and increase in labour force
in such industries, increases the efficiency of capital. However, the correlation between capital intensity and capital efficiency is negative.

It is painful to find that only 31.12% units have shown positive growth over a period of five years, which is the period of our study; whereas the rest (68.88%) units are either stagnating on declining. Most of the units showing stagnation belong to traditional industries.

Those units, which show an increasing trend over the period, their growth is mostly in respect of output (30.29%) or total sale (29.46%).

We find that non-traditional industries are running on absolute net profit (above Rs.50,000 per annum), while most of the traditional industries are running on net loss or on nominal net profit. Three industries, namely bamboo products, agarbati making and paddy craft are running on net loss.

The rural industries of Balangir district are beset with diverse problems - marketing constraints/low availability of rawmaterials / lack of knowledge of appropriate modern technology, real capital and problems of finance, transport and storage facilities. The finance and marketing bottlenecks are found to be the main obstacle to growth of these industries. Quite naturally, there are inter-industry and intra-industry variations in the nature and extent of the problems faced by these industries.

Due to cumbersome and lengthy procedure of the institutional lending system, some borrowers have been taken for a ride by the middlemen which also includes some officials of the lending institutions.

On the basis of findings of our study, a strategy for rural industrialisation in the district has been formulated. From the data collected on
the availability of resources in the district, at least 25 more items can be produced by making use of available raw materials or resources. Besides, 15 new types of demand based units can also be established in the district to meet the demand of the local people. Thus we envisage establishment of 40 new types of rural industries in the Balangir district.

By following the suggested strategy, as large as 424 units in total can be set up in the rural belt of the district with a capital cost of Rs.22.33 crore providing employment to 6195 persons. The Directorate of Industries has prepared techno-economic feasibility studies for a number of industries which are/can be set up in Orissa. Our computation is based on such estimates of the Directorate of Industries, Orissa.

The existing rural industries along with the new industries are expected to activate the demand pull and supply push factors and hike employment and income generation process through various linkage effects and chain multiplier effects.

The socio-economic background of the entrepreneur in terms of father's occupation does play a significant role in the decision to modify and modernise the activity undertaken.

There is duality in the rural sector itself. The small towns and the nodal villages are different from the far-flung villages from the point of view of infrastructure spread, technology status and civic amenities. Agriculture sector has both forward and backward linkages with rural industries located in the distant villages.

It is imperative to diversify the agricultural surpluses into non-agricultural occupations, and this initially occurs in agriculture related activities
as the new generation of educated peasant households seek wider opportunities. Agricultural linkages do play a relatively more important role in inducing the growth of non-agricultural employment in far off rural areas, while urban linkages most often dominate the diversification process in contiguous rural areas.

For sustainable rural industrialisation in the region, forest coverage enhancement and rapid agricultural transformation are the imperative needs of the hour. It may initiate establishment of new agro and forest based industries and generate supply and demand pull factors for the rural industrial growth to feed on itself.

The Government, the NGOs and the Co-operatives are to play a proactive role in their respective fields so as to keep the process going on.

In order to enable the rural industries to overcome their problems, to raise the level of their efficiency, to streamline their functioning and to achieve economic viability, a number of steps have to be taken without delay with all sense of confidence, pragmatism and dogged determination by all the officials connected one way or other with the problem of development of rural industries in Balangir district in particular and at the state and national levels in general.

A lesson from the Chinese model is to divide the industrial sector into two sub-sectors: (a) Rural Industrial Sector; and (b) Urban Industrial Sector.

Then these two sub-sectors may be classified into different groups i.e. sub-sub-sectors on the basis of their scale of production. The formulation of plan programmes, their implementation, resource allocation, etc. are required to be made separately by a separate body, designated as "Directorate of Rural
Industries". The sub-ordinate offices of this Directorate may be established at the state, district and down below at the block level.

All micro level planning may be initiated and originated from this block level agency after working out feasibility studies. The programmes for rural industrialisation should be linked with the mainstream of national level industrialisation programmes. The setting up of "The Ministry of Agro and Rural Industries", in 2001 is a welcome step, but its scope and objectives should be wider and more specific so as to encircle within it only the rural industries working throughout the country.

Like District Industries Centre working at the district level, Block Industries Centres are required to be set up to provide technology and economic viability boosts to the development of rural industries at the grass root level.

The Central Government have taken steps to declare Balangir as "No Industry District" so as to make it and other such districts in the country eligible for special favours in the form of incentives and infrastructure facilities. In the same manner, an idea for having a scheme like "No Industry Block" should be adopted by the Government so that such micro-unit area could get sufficient thrust for rural industrial development.

In order to facilitate sufficient flow of funds to the rural industrial sector, a separate bank in the name of Rural Industrial Development Bank should come up to concentrate exclusively on the financial needs of this sector.

The loan amount should be revised upward in view of escalation in the input costs to sustain the growth of rural industries. The loan sanction procedures have to be simplified to avoid bureaucratic and administrative delays in the matter of timely credit.
The Primary credit institutions at the grass root level such as Co-operative Banks and Regional Rural Banks are to be made an integral part of an effective credit delivery system.

The rural marketing centres are required to be formed at the nodal village levels. These centres are to develop a framework to cater to the needs of local and outside buyers and of entrepreneurs who would not have to waste time, energy and money in marketing their output as well as factor inputs.

Invention and innovation of appropriate technology also acquires topmost importance. For example, cement industry which was to be a large scale unit on technology ground, can now be established on a small scale. The benefits from the programmes and policies declared by the Central and State Government relating to technology up-gradation are being reaped mostly by the urban sector. Large scale efforts are to be made to disseminate the new small and tiny scale related technology and technological skills to the rural industrial sector. District Industries Centres should educate and guide prospective as well as the present rural industrial entrepreneurs by demonstrating utility and acceptability of developed technologies, keeping an eye on the local needs of the producers, local resources and skill available in the unit area.

Industrial Estates have been mostly established in the urban areas. The rural areas are deprived of such facilities. Steps should be taken to establish Rural Industrial Estates or Rural Artisan Estates at places where clusters of artisans exist so as to provide common service facilities such as land, factory accommodation, transport, power, training and marketing facilities to the entrepreneur under a single roof.
The rural industries should be exempted from power cut during summer and adequate and regular supply of power should be ensured for these industries.

A close rapport and better co-ordination between the rural entrepreneurs on the one hand and the D.I.C., Block office; DRDA and the financial institutions on the other are to be established. The dormant industrial co-operatives are to be revitalised by making necessary enactments and taking strong administrative measures to weed out the causes of their sickness including corrupt practices.

In order to encourage the entrepreneurs and to generate public consciousness, an award scheme should be launched at the district level to felicitate the most successful entrepreneurs of the year in public ceremonies.

The attitude of indifference and static inertia of the people of this region need to be changed through village meetings and technological-marketing workshops organised at the Panchayat level by NGOs and Government officials. The district needs strong and efficient entrepreneur – leadership from different localities and a proper forum for ventilation of local problems to the Government machineries for finding out early and effective solutions.

A great deal of difficulty was encountered in the study due to absence of maintenance of proper records by the household units as well as by the Government departments. It is essential that an up-to-date list of industrial units operating in the rural areas of the district should be maintained by the D.I.C. with detailed information about their location, production, capital, employment, etc.
The entrepreneurs in most of the cases do not know the profit margin on different items. They do not maintain detailed cost and income accounts for different items of production during different years. They should be guided and encouraged at the Government level to maintain proper records which will give them an incentive for improvement in performance.

An earnest implementation of these suggestions would undoubtedly usher in a new era of rural industrialisation in this extremely backward region of the state. The proposed Balangir – Khurdha railway link, if completed along with Pradhan Mantri Gram Sadak Yojana interlinking the villages with metallic road system would be highly helpful for the district in establishing a strong commercial link with bigger industrial towns like Cuttack, Rourkela, Bargarh, Sundargarh, Sambalpur, Raipur etc.

The new process of rural industrialisation would rejuvenate and give a fresh lease of life to this region and other regions of the state and country freeing them from stranglehold of poverty and starvation deaths and ushering in a better tomorrow for the country as a whole through linkage and multiplier effects because "India lives in her villages".