CHAPTER - IV
RURAL INDUSTRIES IN BALANGIR DISTRICT OF ORISSA:
MACRO STATUS, ORGANISATIONAL BASE & DEVELOPMENT PROGRAMMES
4.1. ORISSA'S ECONOMY

This section presents Orissa's economy at a glance and discusses industrial development of the state, with a stress on its rural sector as a necessary backdrop for the analysis, in the subsequent sections, of the macro status, organisational base and development programmes pertaining to rural industries in Balangir district.

4.1.1. ORISSA'S ECONOMY: A SYNOPTIC VIEW

Orissa is the epitome of India in many respects, especially in socio-economic backwardness and poverty profile. More than fifty years of planned economic development has failed to make a real dent into the problems of poverty and unemployment the state has been facing with. Want and deprivation still persist in large measure. Orissa, with every second person living below the poverty line, is one of the poorest states in India. As high as 47.15% of the State population live below the poverty line as against 26.1% of BPL population at all India level.

This is in sharp contrast to the large reserve of natural resources like rivers, forests and mineral deposits like coal, iron ore, lime stone, chromite, nickel, vanadium, lead, manganese and other minerals which hold out a bright prospect for industrialisation in the state.
The state directed, centralised planning till the introduction of liberalised market-led-economy in early 1990s - under the leadership of the public sector undertakings, which could hardly accelerate the pace of industrialisation in Orissa for its economic development. Orissa continues to rest on the subsistence-oriented backward, uncertain and primarily rain-fed agriculture.

As per 2001 census, 64.77% of the workforce in the state is directly dependent on agriculture either as cultivators (29.75 percent) or agricultural labourers (35.02 percent) as against 58.20 percent of the main workforce employed in agricultural sector at the All India level.

The state has a sizable percentage of depressed category of population (38.66 percent according to 2001 census), viz; 16.53 percent scheduled castes and 22.13 percent Scheduled Tribes in comparison to 16.20 percent of scheduled castes and 8.20 percent of Scheduled Tribes population at the national level.

In this scenario, it is least expected for a poor but resource rich state like Orissa to eradicate mass poverty and improve the quality of life of the people unless the state strengthens its industrial base and goes for major diversification of occupations and means of livelihood of the poor and marginal as well as small farmers depending upon backward rain fed agriculture.

Unfortunately, the state is lagging behind other major states of the country in terms of development of its agriculture, industry, basic infrastructure and social service sectors.

It is observed from the computation of the official as well as CMIE (center for Monitoring Indian Economy) data that Orissa with a total
population share of 3.6 percent (as per 2001 census) and 4.7 percent of the country's landmass, shared only 2.37 percent of the country's GDP in 1993-94.

The state's economic condition has further deteriorated in the post-reform years. At 1993-94 constant prices, the share of Orissa's GDP in 2001-2002 came down to 2.05 percent from 2.37 percent in 1993-94, whereas the developed and moderately developed states like Gujarat increased its GDP share from 6.30 percent in 1993-94 to 6.59 percent in 2001 and West Bengal from 6.84 percent in 1993-94 to 7.25 percent in 2001-02.

Thus it is crystal clear that the overall inter-state economic disparities prevailing in the country continues to persist as usual and the benefits generated by the economic liberalisation and globalisation has been leaking out to the developed states of India. The backward states like Assam, Bihar, Orissa, Madhya Pradesh, Uttar Pradesh and the newly carved out states such as Chhatisgarh and Jharkhand seem to be left in the lurch.

4.1.2. INDUSTRIAL DEVELOPMENT IN ORISSA

Orissa, as already pointed out, is richly endowed with a variety of natural resources and a rich cultural heritage offering a wide range of goods of aesthetic and commercial value. In spite of the high potential, the socio-economic status of the state portrays a paradoxical picture of poverty amidst plenty.

It continues to remain one of the industrially most backward states of India till today. The share of secondary sector in Net State Domestic product (NSDP) has been only 11.84 percent as per 2004-05 census. It is found that during the period 1993-94 to 2001-02, the share of the state's industry sector in the industry sector GDP of the country has declined from 1.98
percent to 1.70 percent at 1993-94 constant prices, whereas in the case of states like Gujarat, this has increased from 9.51 to 10.60 percent, in Karnataka from 5.64 to 6.14 percent, in Madhya Pradesh from 4.34 to 5.18 percent and in Rajasthan from 4.45 to 5.20 percent.

In 1980, the State Government adopted a new progressive and more comprehensive industrial policy and initiated all possible measures to promote entrepreneurship among Oriya people by encouraging the setting up of village and small scale industries in different backward and excluded pockets. Thereafter, the industrial policies formulated in 1986, 1989, 1992, 1996 and 2001 worked out various strategies for rapid industrialisation of the state.

One of the major bottlenecks of Orissa to accelerate the pace of industrialisation was lack of infrastructure facility. Hence the Government established the Industrial Infrastructure Development Corporation (IDCO) in early 1980s to look after the existing factory sheds as well as to initiate a planned programme of creating new industrial estates/areas. In addition to this, “a single point contact forum”, IPICOL (Industrial Promotion and Investment Corporation of Orissa Limited) was created at Bhubaneswar to assist the entrepreneurs seeking to set up medium and large scale industries. In order to attract and encourage the Indians living abroad for grounding their projects in the state, the Government set up a Foreign Investment Division in IPICOL.

Besides, the Government provided numerous fiscal and financial incentives to village and small scale industries such as the reimbursement cost of preparation of project feasibility reports, subsidy on technical know-how fees, capital investment subsidy, interest free loan, exemption of sales tax, interest subsidy for industrial co-operatives, exemption of stamp duty and
registration charges, exemption of electricity duty, octroi, sales tax on purchase of raw materials, machineries, etc., price preference on purchase of SSI goods and the like.

In order to transform the state's economy into a vibrant entity, the State Government have given stress on conversion of the available potential energy to kinetic energy through massive industrialisation with optimisation of value addition, technical upgradation and export promotion. In the wake of economic liberalisation and globalisation, as the state expected promising industrial investment by the large multinational companies as well as the large corporate houses of the country in the mineral rich regions, Orissa went ahead in formulating a New Industrial Policy in December 2001.

The State Government's Industrial Policy coupled with favourable market condition has been able to attract mega projects to the state. So far 46 MoUs (Memorandum of Understandings) have been signed with big multinationals and large national corporate sector houses for setting up Steel, Aluminium and Oil industries such as POSCO of South Korea for setting up of an export oriented 12 million tonnes steel plant at Paradeep, other large and integrated steel plants by the national companies like Tata Steel, Jeendal, Bhushan Steel, MESCO, etc. in different parts of the state such as Kalinganagara in Jajpur, Joda - Badbil area of Keonjhar, Rengali - Jharsuguda area in the Ib-valley region of undivided Sambalpur district, Utkal Alumina International Ltd., Kashipur area of Rayagada district, starlight and Vedanta Aluminium Companies at Lanjigad area of Kalahandi and so on.

In order to facilitate these industries and to create an enabling environment to attract national and international investment, the State Governments have enacted Orissa Industries Act, 2004 for implementing the single window clearance system. The State Government organisations like
IPICOL, IDCOL, IDCO, OSFC and OSIC have been making concerted efforts to promote private investment in manufacturing, mining, infrastructure projects in the state under liberalised policy regime.

However, these mega industries function almost as Special Economic Zones (SEZ) with very little input-output linkages with rural areas in which they are established, let alone promote rural industrialisation in Orissa.

### 4.1.3. DEVELOPMENT OF RURAL INDUSTRIES IN ORISSA.

So far as rural industries are concerned, Orissa has a glorious past. However, these industries received severe blow during the British rule. After Independence and during the Second Five Year Plan (1956-61), the Government of Orissa have taken several steps to promote village and cottage industries in the state.

The Pilot Project Scheme was launched in 1957. Under the scheme, the Government provided a number of facilities to the private entrepreneurs. The Government of Orissa launched Panchayat Industries Scheme in 1962-63. Under this scheme, it attempted to establish industrial units throughout rural Orissa to harness local raw materials and labour.

The Rural Industries Project (R.I.P) Scheme was a centrally sponsored scheme; but virtually the scheme was executed by the State Government in 1962.

Establishment of IDC (The Industrial Development Corporation) in Orissa during that period witnessed setting up of Ferro Alloys Industry at Jajpur Road, Bargarh Cement Industry, Industrial Units at Hirakud and many other industrial units indifferent parts of Orissa.
During the Sixth Five Year Plan, a significant improvement took place in the rural industrial sector. The number of rural industries rapidly increased due to a favourable industrial policy announced by the State Government in 1980. During this plan, the Government proposed to set up 14,000 small scale units and 2,43,000 artisan based units in the state and much effort was made to fulfil the target.

The State Government announced several incentives, facilities and concessions for the rural industrial sector, such as:

1. For the development of necessary infrastructure, a statutory corporation, Orissa Industrial Infrastructure Development Corporation (OIIDC), was set up in 1981. It is in charge of development of sites, construction of industrial estates, etc. It also looks after water supply, communication, supply of powers, etc.

2. The DICs were made to function as single point contact. The entrepreneurs got all assistance at district level and need not run to the state headquarters.

3. The promotional agencies of the State Government provided feasibility and project reports free of cost to the rural industries.

4. Subsidy to the extent of 75 percent of the lump sum, know-how fees charged by different agencies imparting technical knowledge were allowed to small scale units subject to a maximum of Rs.20,000/-. 

5. New industrial units and existing units going in for expansion became eligible for 15 percent subsidy on fixed capital investment subject to a limit of Rs.5 lakh.

6. Educated unemployed entrepreneurs setting up small scale units and occupying built up sheds were entitled to a rent subsidy for 4 years.
7. Machinery and spare parts of new industrial units were exempted from payment of Octroi. Raw materials were also exempted from payment of Octroi for a period of 5 years.

8. Industrial Co-operatives got interest subsidy at the rate of 4.5 percent for availing loan from financial institutions.

9. Industries were exempted from payment of Stamp Duty and Registration Charges for Government land and building.

10. New village, cottage and small-scale industrial units were exempted from sales tax for 5 years on purchase of machinery, raw materials and packing materials.

11. Concessions were given for the supply of water.

12. Small industries consuming electricity upto 20 K.W. were exempted from Electricity Duty for a period of 5 years from the date of supply of power. Also no minimum electricity charges were levied for a period of 3 years.

13. Small scale units became eligible for a price preference upto 15 per cent.

14. Raw materials such as forest products, minerals, etc. were supplied at concessional rate and long term arrangement for their supply were made. The Orissa Small Industries Corporation (OSIC) took the responsibility to supply raw materials such as iron, steel, etc. to the small units.

The new concept of "Pioneer Units" has been introduced under which the first two large industrial ventures (with an investment of over Rs. 5 crore) in a Panchayat Samiti area were eligible for an additional capital investment subsidy of Rs 5 lakh.

Secondly, the state was divided in three zones on the basis of the extent of industrialisation of the districts. New industrial units were allowed capital investment subsidy at the rate of 20, 15 and 10 percent on fixed capital investment respectively in the categorised zones 'A', 'B', and 'C' according to their status of industrial and economic backwardness. Special preferences were given to local industries in purchases for government departments and government undertakings.

An exclusive purchase list of items was prepared which the Government agencies were compelled to procure from local industries.

The State Government provided greater support to export oriented industries and agro/food processing industries, village and small scale industries and micro enterprises and also to women, SC, ST and physically handicapped entrepreneurs. Special efforts were made for rehabilitation of viable sick industries and emphasis was laid on quality of products, productivity of the units and skill development.

4.2. MACRO STATUS OF RURAL INDUSTRIES IN BALANGIR DISTRICT

It is pity that there is lack of systematic official (secondary) data in the district pertaining to the number of industrial units working in the rural areas of the district. The available official data relate to the small scale and cottage industries operating in the district both in urban and rural areas taken as a whole. It is therefore, not possible to present a comprehensive picture of rural industries of the district.
Table 4.1 depicts the official position on the industrial establishments in the small sector of the district during the period 1997-98 to 2000-01.

**TABLE 4.1**

**GROWTH OF SMALL SCALE INDUSTRIES**

<table>
<thead>
<tr>
<th>Year</th>
<th>No.of SSI Units Established</th>
<th>Investment (in Rs.lakh)</th>
<th>Employment Generated (No.of persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>95</td>
<td>186.38</td>
<td>347</td>
</tr>
<tr>
<td>1998-99</td>
<td>95</td>
<td>583.74</td>
<td>480</td>
</tr>
<tr>
<td>1999-2000</td>
<td>102</td>
<td>281.17</td>
<td>392</td>
</tr>
<tr>
<td>2000-01</td>
<td>105</td>
<td>416.50</td>
<td>490</td>
</tr>
</tbody>
</table>

*Source: Directorate of Industries, Orissa, Cuttack*

Table 4.1 reveals that the small scale industries in the district are growing very slowly during the said period. The growth in the number of units, size of investment and level of employment are not impressive at all.

Table 4.2 highlights the dominance of the handloom sector in the rural industrial scenario of the Balangir district judging by all three indicators. But it also presents a melancholic picture of stagnation.
TABLE 4.2
GROWTH OF HANDLOOM UNITS

<table>
<thead>
<tr>
<th>Year</th>
<th>No.of Handloom Units Established</th>
<th>Investment (in Rs.lakh)</th>
<th>Employment Generated (No.of persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>12,243</td>
<td>2159.10</td>
<td>24,486</td>
</tr>
<tr>
<td>1998-99</td>
<td>12,767</td>
<td>2800.56</td>
<td>25,534</td>
</tr>
<tr>
<td>1999-2000</td>
<td>12,767</td>
<td>1174.7</td>
<td>25,534</td>
</tr>
<tr>
<td>2000-01</td>
<td>12,714</td>
<td>1174.7</td>
<td>25,428</td>
</tr>
</tbody>
</table>

Source: Directorate of Textiles, Orissa, Bhubaneswar

Table 4.3 offers a glimpse of the growth of cottage industries in the district during the period 1997-98 to 2000-01.

TABLE 4.3
GROWTH OF COTTAGE INDUSTRIES

<table>
<thead>
<tr>
<th>Year</th>
<th>No.of C.I.s Established</th>
<th>Investment (in Rs.lakh)</th>
<th>Employment Generated (No.of persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>4514</td>
<td>80.26</td>
<td>9,028</td>
</tr>
<tr>
<td>1998-99</td>
<td>6125</td>
<td>393.30</td>
<td>12,103</td>
</tr>
<tr>
<td>1999-2000</td>
<td>1130</td>
<td>98.35</td>
<td>2,492</td>
</tr>
<tr>
<td>2000-01</td>
<td>1560</td>
<td>566.46</td>
<td>2,446</td>
</tr>
</tbody>
</table>

Source: Directorate of Handicraft Cottage Industries, Orissa, Bhubaneswar

Table 4.3 shows that a sizable proportion of workforce is in the cottage industries sector, although the number of cottage units and the employment generation have a declining trend.
This is the overall view of the small scale sector operating in the study area, urban and rural taken together. But so far as rural industries, i.e., the industrial units operating in the rural areas of Balangir district are concerned, secondary data are not available.

In the absence of secondary data, the only option open was to conduct a sample survey to collect primary data on rural industries of the district for the research study.

4.3. PROMOTION OF RURAL INDUSTRIES : DISTRICT LEVEL ORGANISATIONAL BASE

This part of the chapter deals with organisational base of the rural industrial promotion programme in the region and its interrelations with various development agencies working in this field.

The success of the rural industrial promotion programme depends on proper execution of Government plan. Therefore organisational support available from the various Government departments, agencies and institutions operating in the district is crucial as it is the Government, which initiates and accelerates rural development in a LDC (Less Developed Economy).

4.3.1 DISTRICT ADMINISTRATION

The Collector is at the zenith of district administration. He is answerable to the State Government regarding the economic progress of the region. Hence administrative control is dovetailed to developmental responsibilities. Under his control and supervision, the rural industrialisation programme in the district is implemented. The Collector, two A,D,Ms and D.D.O. (District Development Officer) in the district level, three S.D.O.s in the
sub-division level and 14 B.D.O.s at the block level meticulously co-ordinate the activities of various Government Departments and agencies.

4.3.2 BLOCK DEVELOPMENT OFFICE

Block (i.e., Community Development Block) is a micro administrative unit where different developmental programmes are launched by the Government at the grass root level. It is headed by the Block Development Officer (B.D.O.)

Block Development Officer (B.D.O.)

The Block Development Officer (B.D.O) is the pivot of rural development and rural industrial development. The functions of the B.D.O. are many and multifarious. New functions are added to the stock whenever a change in policy is brought about. Introduction of new schemes carry with them new functions and powers to implement them. The officer's skill in preparing the budget, foresight in fixing the priorities for the schemes, contacts with block staff, Block Development Committee and Panchayats are taken to assess his ability.

It is the B.D.O. who along with his staff identifies the beneficiaries, who are to be financed by different financial institutions in connection with different developmental programmes set under Lead Bank Scheme. On the whole the role of the B.D.O. cannot be ruled out in discharging different bankable and developmental schemes of the Government. So there should be harmonious co-ordination between the B.D.O. and financial institutions functioning in the block.
The B.D.O. is assisted by other officers deputed from various Government Departments. There are Gram Panchayat Extension Officer (G.P.E.O), Welfare Extension Officer (W.E.O), progressive Assistant (P.A) and V.L.W.s, who help the B.D.O. to execute various Government Programmes for promotion of rural industries in the block.

**Industrial Promotion Officer**

The Industrial Promotion Officer (I.P.O.) looks after all rural industries in the block. He is responsible for identifying the industries and entrepreneurs/beneficiaries, prepare project plan, impart training on technology, raw materials, finance and marketing.

The I.P.O. also supervises and reviews the working of Industrial Co-operative Centres under his jurisdiction once in a month and points out difficulties and suggests remedial measures. Further, he is in charge of conducting survey and collection of data on small scale units and furnishing information on various developmental units under his guidance.

The I.P.O. also assists the credit wing of the D.I.C., verifies the progress of utilisation of funds and reports to the D.I.C. He is to work with the Industrial Supervisors for joint inspection and to report the complicacy of the projects. He looks after the small scale industrial units to avail connection grant and is to identify land for the new growth centres in consultation with the B.D.Q., Revenue Inspectors and Tahsildars. He usually identifies the rural artisans and craftsmen and submits their loan applications to different financial institutions for availing loans and helps the latter for speedy disposal of loans.
Progressive Assistant

The appointment of Progressive Assistants (P.As) was made in all the blocks of India in accordance with the Fifth Conference of the Development Commissioners held at Nainital. The P.A. prepares periodical review of the progress achieved relating to various development programmes undertaken in the block. He assists the Village Level Workers (V.L.W.s) and Extension Officers for proper maintenance of their records. He is also to assist other visiting officers and teams in the collection of statistical information whenever necessary. Besides all these, he is to undertake any other statistical work assigned to him by the B.D.O. from time to time. He is the negotiating officer between the B.D.O. on the one hand and different Extension Officers on the other.

At the grass root level, there are Village Level Workers (V.L.W.s) who play important role in the institutional financing of the village economy.

4.3.3. DISTRICT INDUSTRIES CENTRE

The District Industries Centre, Balangir, which is the apex body for promoting village and small scale industries is acting as the catalyst for industrialisation of the district. The centre is headed by one General Manager, two Managers and three Assistant Managers. The two Managers take care of Cottage Industries and Small scale Industries respectively. The three Assistant Managers are in charge of Credit, Project and Cottage Industries sectors. There are 14 Industrial promotion Officers working in the Block Headquarters. Besides, six Industrial Promotion Officers are attached to the D.I.C. Further 4 Panchayat Industries Officers are working against 6 numbers of sanctioned posts. The industrial requirements of the district are being fulfilled by this centre. It is providing technical assistance for preparation of
schemes, feasibility report etc. and rendering necessary assistance for purchasing and erection of plant and machineries of the SSI units.

The centre allots raw materials like iron and steel, cement G.P. sheets, C.R. Sheets, G.C.I., etc. to the entrepreneurs as per need. A raw materials depot under O.S.I.C. (Orissa Small Industries Corporation), Cuttack is also functioning in the Industrial Estate, Balangir who release raw materials to the industrial units on the recommendation of the D.I.C. Scarce raw materials like plastic granules, rubbers, etc. are provided through the Director of Industries, Orissa, Cuttack. The D.I.C. follows up with the O.S.E.B., Balangir for supply of power to the small scale industrial units.

The centre also guides the entrepreneurs for E.P.M. registration with the Directorate of Export Promotion and Marketing, Bhubaneswar. The Gram-Udyog Co-operative Marketing Society, under the supervision of D.I.C. also renders marketing assistance to the village and small scale industries.

4.3.4. OTHER AGENCIES IN THE BALANGIR DISTRICT

The Assistant Director of Textiles, Sonepur looks after the designing in the Handloom sector and also ensures quality product.

There is one Training centre attached to the pattern making factory, Sonepur where training is imparted to weavers on non-traditional items and designs in weaving with a view to bringing product diversification.

Up till now 113 Industrial Co-operative Societies enrolling 3557 members have been organised in the district for implementation of different village industries programmes like processing of cereals, pulses, fibres, village oil, carpentry, blacksmithy, pottery, gur and khandsari, village leather, etc. The Orissa Khadi and Village Industries Board provides financial assistance
to the Village Industrial Co-operative Societies as per approved schematic pattern of KVIC.

Further there are 20 Handicraft Co-operative Societies in the district enrolling 662 members. Through these societies, handicrafts like manufacture of brass and bell metal utensils, Dhokra casting, White metal Jewellery, Cane and Bamboo works, artistic silk saree, woolen carpet, etc., have been provided with financial assistance by the Government.

Technical assistance for artisan sector is also provided by the Handicraft Board.

There is also a separate district office of Orissa Khadi and Village Industries Board headed by a development Officer who implements and supervises the work of Khadi Board.

A number of financial institutions like the State Bank of India, Balangir, Anchalik Gramya Bank (now renamed as Utkal Gramya Bank), District Central Co-operative Bank Ltd., Orissa State Finance Corporation, Commercial Banks like Andhra Bank, Allahabad Bank, Central Bank of India, United Commercial Bank, Indian Overseas Bank, etc. are playing key role in the process of rural industrial development in the district. The State Bank of India working as the Lead Bank of the District prepares Annual Credit Plan for an orderly and planned flow of bank credit to the priority sectors including rural industries of the district.

4.4. DEVELOPMENT PROGRAMMES FOR RURAL INDUSTRIES

The very size and dispersed nature of the small sector implies that the onus of promotion and development rests mainly on State Governments
and institutions. The central policy framework acts as a guiding principle. The policies and programmes undertaken by the Government of India in the evolutionary process of promoting rural industries may be divided into two broad categories, Viz., Sectoral programmes; and Area Development Programmes. The main institutions for stimulating sectors are the special boards and commissions set up from time to time by the Government. Their policy instruments are: training of workers and entrepreneurs, provisions of raw materials, creating marketing facilities, provisions of credits, improvement in technologies and stimulation of co-operatives. On the other hand, area development programmes aim at creating congenial conditions in various areas through provisions of adequate infrastructure and other facilities. The principal programmes among them are discussed below:

4.4.1. SECTORAL DEVELOPMENT: INSTITUTIONS AND PROGRAMMES

1. State Directorate of Industries

The State Directorate of Industries is a nodal agency for ensuring industrial development of the state. The Directorates implement different Government Programmes for different types of industries at the state level. The activities of these Directorates are co-ordinated by the Development Commissioner for Small Scale Industries.

2. Small Industries Corporation

At the state level, there are Small Industries Corporations. They perform both Regulatory and Promotional functions for the development of the Small Scale Industrial sector. Regulatory measures include registration of SSIs, quality control, etc. Under the promotional measures, they perform functions like distribution of raw materials to small units, provision of seed capital and margin money for the entrepreneurs, preparation of project
reports and organisation of training programmes for prospective entrepreneurs, etc.

3. National Small Industries Corporation (NSIC)

The NSIC, established in 1955, has emerged as a premier institution to promote, aid and foster the growth of small industries. Its main functions are:

i. Supply of machinery to small units on hire-purchase scheme;

ii. Provision of financial assistance by underwriting and guaranteeing loans taken by these units;

iii. Supply of raw materials and components to these units;

iv. Provision of marketing assistance to small units and securing a reasonable share of Government orders for these units; and

v. Provision of technical assistance through prototype development and Training centres.

4. Small Industries Development Organisation (SIDO)

The SIDO, under the Ministry of Small Scale Industries and Agro and Rural Industries, is the nodal agency for assisting small scale industries through technology, marketing, infrastructure and training support. The assistance ranges from the selection of an item of production to its final marketing. It has a network of 28 Small Industries Service Institutes (SISIs) and 30 branch institutes, 41 Extension Centres and 4 Regional Training Centres. It draws up various schemes and provides economic, technical and managerial extension and consultancy services to the entrepreneurs of small units. The technical officers of SIDO regularly prepare and update about 1000 project profiles on various product groups, which are disseminated to entrepreneurs.
The SIDO has set up a number of Tool Rooms to provide assistance for technological upgradation, technical consultancy and common service facilities for design and production of quality toolings. At present, 10 Tool Rooms are functioning in the country. A variety of Entrepreneurship Development Programmes (EDPs) undertaken by SIDO familiarise new entrepreneurs with the dos and don’ts of setting up a unit. These courses are conducted by the technical personnel available with the SISIs and branch institutions and the National Institute of entrepreneurship and Small Business Development (NIESBUD), New Delhi.

Testing facilities are also available through regional centres, 19 field stations and workshops attached to the SISIs. These centres also provide certification and third party assurance to SSI goods purchasers.

5. All India Boards

Several All India Boards have been set up for the promotion of rural industries. The All India Handloom Board (1952) works for the development of handloom in the country. The All India Handicrafts Board (1952) is responsible for the promotion of handicrafts. It has its technical, development and marketing extension centres. Likewise the Small Scale Industries Board (1954) acts as an apex advisory body for the Government. It facilitates co-ordination and linkages between various institutions working in the small scale sector and the Governments. The Central Silk Board (1954) works for the promotion of the silk and coir industry respectively.

6. Khadi & Village Industries Commission (KVIC)

The KVIC was set up in 1957 as a separate body for the development of Khadi and Village Industries in the country. It took over the activities from the erstwhile All India Khadi and Village Industries Board
(KVIB), established in 1953. Its main job was to promote basically manual trades and crafts in the rural areas and to create self-reliance among the rural people.

The KVIC is responsible for planning, organising and implementing programmes for the promotion of Khadi and Village industries. It provides grants, subsidies and loans at low rates of interest. It provides raw materials and assists in marketing the products of the rural industries. It pays special attention for the training of artisans and promoting research in tools and techniques for various traditional rural industries.

The KVIC has created a strong organisational base for the development of Khadi and Village industries with 26 State Khadi and Village Industries Boards (KVIBs), 1114 registered institutions, 3008 industrial cooperatives and 13,057 sales outlets in the country. By March 2004, the KVIC has created around 19 lakh rural enterprises and generated a cumulative employment for 23 million persons. Recently, the KVIC has entered into a Memorandum of Understanding (MoU) with CSIR (The Council for Scientific and Industrial Research) for commercialising 420 well identified and fully evaluated rural technologies developed by the latter's laboratories.

7. Ministry of Agro & Rural Industries (ARI)

The top rung of the administrative hierarchy for the promotion of rural industries is the Ministry of Agro and Rural Industries. The Ministry was set up in 2001 with the objective of integrating efforts for the development of agro and rural industries in the country. It is the nodal agency for co-ordination and development of Khadi and Village industries and tiny and micro enterprises in both urban and rural areas as well as for implementation of the PMRY by way of an advocacy role with the various organisations of the Government. The various policies, programmes and
schemes related to agro and rural industries are implemented by the Ministry through the KVIC and the All India Boards with the active co-operation and participation by the RBI, nationalised and scheduled banks and the State Governments. The objective of the Ministry is to promote, aid and foster the growth of village and cottage industries, tiny and micro enterprises by providing them institutional support in the areas of marketing, export, technology upgradation, training and common facilities services.

8. Rural Industries Service Centre (RISC)

With a view to helping the artisans and entrepreneurs who are working in clusters and do not have adequate facilities for complete processing, packaging, marketing, quality control, raw materials, training, etc., a scheme known as RISC has been formulated to provide infrastructural support and necessary services to the local units to upgrade their production capacity, for skill up-gradation and market promotion. This scheme is implemented through KVIC, KVIIBs, National Level / State Level Khadi and Village Industries Federations, Khadi and Village Industries Institutions affiliated to KVIC and KVIIBs and NGOs who have already worked in the implementation of programmes relating to development of rural artisans in activities excluding the negative list of KVIC.

4.4.2. AREA DEVELOPMENT: INSTITUTIONS AND PROGRAMMES

1. Rural Industrial Estates:

An industrial estate is an attempt to provide on a rental basis, good accommodation and other basic common facilities to groups of small entrepreneurs who would otherwise find it difficult to secure these facilities at reasonable price. Being influenced by the success of the industrial estates movement in England and the USA, the Government of India, in 1955, started a network of industrial estates in the country. This programme was initially
intended to promote small scale and medium industries but later the emphasis was shifted to dispersal of industrial activities to rural and semi-urban areas. It received due attention in the Third Five Year Plan.

The performance of Industrial Estates varies from state to state, but one might notice a certain discontent about their results. Sanghvi provides data about the performance of industrial estates. Rural industrial estates showed a high percentage of non-functioning sheds, namely 55 percent, considerably higher than the 14 percent and 17 percent in respectively urban and semi-urban estates.

2. Rural Industries projects (RIP)

The most important area development programme for rural areas was the Rural Industries Project (RIP) programme launched in 1962-63 as a centrally sponsored scheme. The idea behind the programme was to work out an intensive programme of development of small scale and cottage industries in the selected areas. Under this programme, rural industries were to be developed in centres with a population of less than 15,000. Naturally, urban areas were excluded from the scope of RIP.

The principal objectives of the RIP programme were: (i) to enlarge the employment opportunities; (ii) to diversify the rural occupations; (iii) to reduce rural exodus; (iv) to raise the incomes and standards of the rural communities; (v) to reduce inequalities of income and wealth; (vi) to reduce regional imbalances; (vii) to utilise local resources effectively; and (viii) to secure social justice.

The main instruments for promoting rural development were: technical assistance, provision of raw materials, machinery and tools, credit, training of artisans and workers along with marketing assistance. In addition,
a Backward Area Development Programme was formulated in 1972 from which the rural industries located in these areas could benefit.

At the initial stage, the RIP Programme was launched in 3 to 5 blocks in each of the selected 49 districts. By 1978, as many as 111 RIPS were established, out of which, 92 fall under the purview of the Backward Area Development Programme. Further by March 1976, 1.74 lakh units were set up with capital investment of 176 crore generating employment for 5.45 lakh persons under the scheme. In 1978, the RIP Programme was merged with the District Industries centre.

3. Rural Artisan Programme (RAP)

Rural Artisan Programme (RAP) was a central programme exclusively meant for the rural artisans. This programme was introduced in 1971-72 as a part of the schemes of SFDA and MFAL. The main objective of this programme was to provide all round training to the village artisans in different trades, which would enable them to take up small enterprises and work with improved tools. The programme aimed at providing subsidiary occupations to small and marginal farmers. In 1974, RAP was brought under the purview of RIP programme and again it was subsequently merged with the district Industries centres.

4. Integrated Rural Development Programme (IRDP)

The Integrated Rural development Programme was implemented in 2350 blocks all over the country in 1978-79 and later on in 1980; it was extended to all the blocks. Since then, IRDP has been regularly implemented over the Sixth, the seventh and the Eighth Five Year Plans. Only recently, the programme has been merged into the Swarna Jayanti Gramin Swarojgar Yojana.
A part of the IRDP relates to the development of small scale and cottage industries in rural areas. The programme was designed to help the poorest of the poor in rural areas so as to bring them above the poverty line. The programme adopted the family as the unit of planning. The objective was to assist every year 600 families per block under the programme so as to help them cross the poverty line. It covered all classes of people, including non-agricultural labour and rural artisans below the poverty line. Under the programme, income generating assets are provided to selected target group beneficiaries through bank loans, a part of which is subsidised. It was proposed to transfer appropriate technology in the most efficient and acceptable form to the rural people to enhance their income and ensure a better standard of living.

The IRDP has been criticised on the ground that it does not provide any new element and new approach to tackle the problem of poverty. It has also been alleged that the IRDP lacks integration of different sectors such as agriculture, industry, etc., relevant to the rural areas. But then, the IRDP was the most comprehensive poverty alleviation programme launched so far. As evidenced by a number of studies, the programme of IRDP is more than satisfactory in terms of the physical and financial targets and achievements.

5. TRYSEM

The National Scheme of Training Rural Youth for Self Employment was introduced by the Government of India in August 1979 to provide technical and entrepreneurial skills to rural youth from families below poverty line to enable them to take up self-employment in the broad fields of agriculture and allied activities, industries, services and business activities. Rural youth in the age group of 18-35 years belonging to the families living below the poverty line are imparted training in different trades and successful trainees are then provided with assistance under IRDP to acquire assets for
self-employment. During the period of training, the beneficiaries are entitled for a stipend to meet incidental expenses. This programme has achieved a marginal success. A large proportion of the youth have become wage earners with the skill they had learnt and their earnings have contributed significantly to the family income. To this extent, TRYSEM has undoubtedly helped the beneficiaries move up from the ranks of the poor.

6. District Industries Centre (DIC)

An important new element in the approach to rural industrialisation, is a far reaching integration of spatial development and sectoral policies by means of the creation of District Industries centres (DICs). On the guidelines of the Industrial Policy resolution, 1977, the District Industries centre Programme was launched in 1978. This is an innovative approach for setting integrated administrative machinery at the district level to look after the problem of industrialisation in the district in a composite manner. This programme was also a significant step towards rural industrialisation. About 430 DICs cover almost the entire country except the metros.

The DIC Programme aims at providing all services and support to the small and rural entrepreneurs under single roof at the pre-investment, investment and post-investment stages of production acting as a single umbrella agency in each district. It also works for full co-ordination among the various agencies connected with the promotion of small scale and village industries. The DIC performs the functions like identification of entrepreneurs, preparation of suitable schemes, arrangement of machinery and equipment on hire-purchase basis, supply of critical inputs, liberal finance, provisions of industrial sheds, training facilities, research and development, marketing of finished products, etc.
Organisationally, each DIC is headed by a General Manager who is again assisted by seven functional managers and other supporting staff. The functional managers would take charge of various matters, viz; economic investigation, raw materials, machinery and equipment, extension and training, marketing, credit, and Khadi and Village industries.

In spite of several achievements to its credit, the DIC scheme is not altogether free from certain limitations. With regard to the promotion of rural industries, there had been in the RIP scheme, a provision of advancing direct loans to the entrepreneurs out of the budgetary funds which was withdrawn after the initiation of DICs and that the DICs found it extremely difficult to mobilise credit for rural industries and growth centres, because the bankers still hesitated to finance the units in backward areas. Secondly, the DICs had to deal with various organisations at the district level and hardly any of these organisations had appreciated the idea the Government of India had mooted. Each agency considered it an interference by the DICs in so far as their functions were concerned. Further the Industrial Policy Resolution of 1980 drew pointed attention to the fact that the DIC programme had not produced benefit commensurate with the expenditure that had been incurred.

7. Village Adoption Scheme (VAS)

The VAS was introduced by the Government to bring about an all-round development of village through the promotion of VSIs. The scheme involves the adoption of a village by a bank. The bank would then carry out a survey on the economic resources of the village and chalk out development programmes by providing credit facilities to the identified entrepreneurs involved in the process.
8. Differential Rate of Interest Scheme (DRI)

The Government introduced the DRI scheme in 1972 to help socially desirable and economically weaker sections of the society. As per the scheme, the public sector banks were to advance loans to the weaker sections and depressed class for undertaking productive activities at a concessional rate of 4 per cent per annum.

9. Growth Centre Scheme

With a view to promoting industrialisation of backward areas in the country, the Government of India in June, 1988 had announced the Growth Centre Scheme under which 71 Growth Centres were proposed to be set up throughout the country. Growth Centres were to be endowed with basic infrastructural facilities such as power, water, telecommunications and banking to enable them to attract industries. These centres have been allocated amongst states on the basis of combined criteria of area, population and extent of industrial backwardness.

The Central Government assists the state Governments by contributing upto Rs.10 crore by way of equity for each Growth Centre. The balance funds are to be raised by the State Governments and their agencies that implement the projects. The amount of central assistance was increased to Rs15 crore for each Growth Centre in the North Eastern Regions in view of their continued backwardness. Further full assistance was released to the 26 Growth centres in the country.

10. Prime Minister's Rojgar Yojana (PRMY)

The PMRY was launched on the 2nd October 1993 in the entire country. During 1993-94, the scheme was in operation only in urban areas of the country. Since 1994-95, the scheme is being implemented in both urban as
well as rural areas. Under the scheme, eligible youth are provided assistance to set up tiny units in all economically viable activities.

11. National Programme of Rural Industrialisation (NPRI)

The Ministry of Agro and Rural Industries has been implementing the scheme of NPRI for development of Rural clusters since 2000-2001. The NPRI Scheme has a provision for extending financial assistance upto Rs. 5 lakh for interventions in the cluster. So far as 109 clusters have been taken up for development under the scheme by SIDBI, NABARD, KVIC and State Governments.

12. Technology Up-gradation & Management Programme (UPTECH)

The UPTECH Programme was launched in 1998 to take care of the modernisation and technological needs of the SSI clusters. There are about 350 important SSI clusters in the country identified by the Office of the Development Commissioner, SSI and a few new clusters are to be taken up for development each year.

13. Self-Help Groups (SHGs)

Since the 28th of May 2004, Self Help Groups (SHGs) have been considered for assistance under the scheme of PMRY. Educated Unemployed Youth satisfying the eligibility criteria laid down under the scheme may volunteer to form SHGs for the purpose of setting up self-employed ventures. A Self Help Group may consist of 5 - 20 educated unemployed youth. Loan is provided as per the individual eligibility taking into account requirement of the project. SHGs are to undertake common economic activity for which loan is sanctioned. In order to widen the programme at the grass root level, SHGs are also being involved under the KVI Sector.
4.4.3. INCENTIVES FOR DEVELOPMENT OF RURAL INDUSTRIES.

In addition to the above noted measures the Government of India as well as the State Governments have provided various incentives for the growth and development of village and small scale industries in the country. They are:

(i) Product Reservations

To protect the rural industries from competitions from the side of large-scale industries, the Government of India have reserved certain items to be produced exclusively by the village and small scale industries. The policy of reservation was started in 1968, when 126 products were reserved for this sector. The number of reserved items has steadily gone up and at present, there are 749 items reserved for this sector.

Taking into account the WTO regime and economic liberalisation, the Study group recommended continuation of reservation and de-reservation only in a phased manner so that the VSI units engaged in the production of reserved items are not affected.

(ii) Tax Concessions

An important income tax deduction allowed to small scale units is in respect of units which are set up in rural areas. Such units are entitled for a period of 10 years a deduction of 20 per cent of the profits and gains earned by the units. Since 1986, registered and non-registered VSIs can avail of excise reliefs depending on their annual turn over. No duty is charged upto a sales turn over of Rs.30 lakh. The 1993-94 budget however withdrew the following concessions:

(a) Excise exemption for products manufactured under a brand licence for another company.
(b) Rational Credit of 10 per cent, subsequently reduced to 5 per cent, on purchases of SSI units by other units.

(c) Full excise exemption on 389 products.

(iii) Backward Area Incentives

Special incentives and facilities are provided for development of small industrial units in the districts identified as backward. These facilities include 15 percent capital subsidy on fixed capital investments, transport subsidy, concessional credit facilities, etc.

(iv) Government Procurement & Marketing

At present, 409 products are reserved to be purchased by the Government Departments exclusively from small units, allowing price preference of up to 15 percent to small and tiny units.

(v) State Policies & Programmes

The State Government have also granted various incentives for the promotion of rural industries in the state. Such incentives are: Sales tax exemption to units for 5 to 10 years limited by fixed capital investment, subsidies for using power derived from alternative energy sources, special assistance programmes for women and weaker sections, seed capital and margin money assistance on soft terms, underwriting costs on feasibility studies/ consultancy for modernisation and technology upgradation, allocation of land/sheds in industrial areas on hire-purchase or lease basis, empowered committees to accord clearances and settle of disputes, higher incentives to set up "pioneer" units in backward/ no industry districts, equity participation by State Corporations in joint/ assisted sector projects, etc.]
(vi) Export Promotion

The Government today have taken extra care to promote exports of the small sector. There are a number of export promotion councils and corporations like Export Promotion Councils, State Trading Corporations, Trade Development Authority, etc. They maintain link between Indian exporters and foreign buyers. The Directorate of Export Promotion collect and supply information on foreign markets, carry on market studies and bring out trade brochures and bulletins for the small industrial units.

(vii) Data Base

Lack of data base is a major handicap for the small industrial units. A committee has been constituted by the Government for building up channels for regular flow of statistics on small units. The size of sample survey conducted by the SIDO has been raised to 20 percent. This would help in the proper formulation of the development programme at the Government level.

(viii) Institutional Credit

The institutional agencies constitute the most important source for the provision of capital to rural industrialists. The RBI has played an important role in building the requisite credit structure for the sector. At the national level, the commercial banks provide both working and term loans. At the State level, the main agencies are State Financial Corporations (SFCs), State Industrial Development Corporations (SIDCs) and Co-operatives. At the regional and rural levels, credit is provided through Regional Rural banks (RRBs), District Central Co-operative Banks (DCCBs) and Primary Co-operative Banks.

At the apex level, Small Industries Development Bank of India (SIDBI) provides refinance and direct credit assistance, and co-ordinates the
activities of all these institutions. SIDBI works through a massive network of 887 banking and state level institutions with over 65,000 branches (including 169 specialised SSI branches) by providing refinance, bill rediscounting and resource support to these primary lending institutions. The National Bank for Agricultural and Rural development (NABARD), established in July, 1982 provides refinance to commercial banks, co-operatives and Regional Rural Banks. It also operates a Rs.200 crore Rural Infrastructure Development Fund. Recently the RBI has decided to set up local areas banks (LABs) to meet the credit requirement at the micro level. The KVIC and the KVIB provide assistance on soft terms to the units in this category.

The National Small Industries Corporation (NSIC) at the national level and the State Small Industries Development Corporations (SSIDCs)/State Small Industries Corporations (SSICs) at the state level provide among other facilities, financial assistance by underwriting and guaranteeing loans provided by specified banks and other financial institutions to the small industrial units.

The 1992 credit Policy of the RBI provides that at least 40 percent of the loans out of priority sector lending for the entire SSI sector are to be directed towards cottage, KVIC, and tiny units, artisans and other such units, subject to credit ceiling of Rs. 5 lakh.

4.5. SPECIAL AREA DEVELOPMENT PROGRAMME IN ORISSA

4.5.1. K-B-K Plan

Despite sustained efforts to develop all parts of the state, regional disparities exist. The region comprising the old Kalahandi - Balangir and Koraput districts, popularly known as “K-B-K districts” is considered as one
of the poorest regions in the country with about 71.40 percent families living below the poverty line.

The literacy rate of the region is 43.33 percent, which is much lower than the state average of 63.08 percent as per 2001 census. The population of this region suffers from high morbidity on account of under-nutrition, epidemic, malaria and other local diseases. About 96 percent of the C.D. blocks in these districts are either "very backward" or "backward". To be specific, 49 C.D. blocks of K-B-K districts are regarded as "very backward" and 28 C.D. blocks are considered as 'backward'. No C.D. block is considered as 'developed' in these districts. Since 1992-93, these three districts have been re-organised into 8 districts, i.e., Kalahandi, Nuapara, Balangir, Sonepur, Koraput, Malkangiri, Nawrangpur and Rayagada for accelerating development and maintaining law and order.

4.5.2. Rastriya SamVikas Yojana (RSVY)

The State Government appear to be deeply committed to remove the regional imbalances and inequalities in keeping with the emphasis laid by the Government of India for doing away with regional disparities. With a view to accelerating the development process, a new initiative "Rastriya Sam Vikas Yojana (RSVY)" has been launched by the Planning Commission, Government of India during the Tenth Plan Period.

A sum of Rs.943.95 crore in 2004-05 and Rs.166.66 crore in 2005-06 have been received by the State Government from the Government of India for the said purpose. A portion of the Central grant is spent for rural industrial development in the districts.
4.5.3. Western Orissa Development Council (WODC)

To mitigate regional disparities and to speed up development of districts in the Western part of Orissa, the State Government have constituted the Western Orissa Development Council (WODC). The jurisdiction of the council extends over ten districts, namely Bargarh, Balangir, Boudh, Deogarh, Jharsuguda, Kalahandi, Nuapara, Sambalpur, Sonepur, Sundargarh and Athamallick sub-division of Angul district.

The council is mandated to develop appropriate long term and short term development plans and programmes for these districts. An outlay of Rs 50 crore has been earmarked for this council during 2004-05 to undertake the conceived programmes.
REFERENCES


7. de Hann, H.H., op.cit., p.31-32


