INTRODUCTION

Role of institutional financing agencies for the development and promotion of Rural artisans in Orissa - A case study of Puri district

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(1) Background of the study:

India is a developing country which is trying to come out of the morass of poverty and backwardness slowly through developmental programmes. She has all the characteristics of under-development and backwardness common to developing countries. In order to break this vicious circle of poverty and underdevelopment, a planned process of economic development has been initiated by launching five years plans in the country. Since the beginning of planning till date India has already completed Seven Five-Year Plans in the country. Under the impact of planning, the overall growth of the economy has shown a significant improvement. However, the benefits of development have not trickled down significantly to help people living at the disaggregated levels. While the benefits of development have been pocketed mostly by the urban centres and the well-to-do persons, the rural areas and the rural poor have failed to procure much benefit. In the developmental process therefore, a clearcut distinction existed between urban and rural centres of growth and the well-to-do sections and weaker sections of the community.

In the course of planned process of economic development, it is revealed that backwardness and under-
development are more deep seated in the rural areas. Rural areas are more characterised by low level of per capita income, greater incidence of poverty and unemployment, higher growth rate of population, lack of infrastructure, low productivity of agriculture and poor industrialisation and etc. In the course of planning it is realised that in order to promote accelerated development in the country, prime importance is to be attached to the development of rural economy. In other words, unless rural development takes place in a significant scale, economic development of the country will not acquire adequate momentum. Rural development, thus, lies at the root of the economic development of the country. In order to promote economic development in rural areas, the government, both central and states, have launched various schemes and programmes. In the initial stage the schemes and programmes were mainly area specific. Later, target oriented schemes were introduced by the government. The objective of these target oriented schemes was to promote the development of hither to neglected persons in the rural areas by suitable and viable schemes with a view to help them to cross the poverty line.

In the rural areas weaker sections mostly comprise of small and marginal farmers, agricultural labourers, rural artisans, small businessmen and retail traders and professionally self-employed persons etc. They are the
designated group of weaker sections who are unable to have an annual income of ₹6400/-. These sections of population mostly live below the officially accepted norm of poverty line.

Among the weaker sections, the rural artisans are a vulnerable group. In the past, these rural artisans had a glorious tradition. The products were mostly made out of locally available resources. The occupation was mostly hereditary in character. The artisans had the necessary artistic qualities and expertise received from their ancestors. The products were of high aesthetic quality and those catered to the needs of a selected class of persons in the society. However, the rural artisans also produced certain items which were of common use. The products were marketed in overseas markets on a large scale.

With the advent of industrial revolution and production of cheap machine made products the rural artisans failed to compete with the cheap machine made products. The unfair competition virtually paved the way for the decline of rural artisan sector. However, this could not eliminate wholly the artisan based industries and the rural artisans from the rural scene. This indicates the importance they still command in the rural areas.
Rural artisan based units are found useful due to their high employment potential. Besides, they are also low cost units. Capital investments in these industries do not exceed more than ₹25,000/-. Furthermore, technology used in these units is simple. They do not require any foreign exchange component etc. Hence, attention is paid, under different plan periods to develop these units. However, rural artisans engaged in these units come across with certain difficulties. Among the problems faced by rural artisans, finance is one of the chief bottlenecks that they come across. The rural artisans do not have adequate resources of their own to operate their units. Consequently they depend upon external sources of finance. Fortunately, the country has a wide spectrum of institutional financing agencies such as; co-operative banks, commercial banks and Regional Rural Banks. These institutions have contributed for the development of rural artisans in the countryside by supplying funds to them. With active financial assistance, supplied by institutional credit agencies, there has taken place sizeable increase in the number of rural artisan units. Furthermore, production, capital investment and employment in these units too, exhibited a rising trend. However, it is observed that the performance of rural artisan units are not evenly spread throughout the country. While the progress is more concentrated in a few states, other states failed to reap the advantages. It is against
this background that an humble attempt is made to analyse
the role of institutional financing agencies for the
development and promotion of rural artisans.

(ii) Importance of the study:

The state of Orissa, inspite of its abundant natural
resources, remains economically one of the most backward
states of the country. The per capita income of Orissa is
much less than that of the national average. At current
prices, the per capita income of Orissa was Rs.1957/- as
against Rs.2957/- at the all India level in the year 1986-87.
In terms of per capita income, the place of Orissa was a
little above the average obtained in the state of Bihar
(Rs.1802/- in 1986-87). However, in comparison with other
states of the country, the per capita income of Orissa is
much lower.

Besides, there is also higher incidence of poverty in
the state. It is noticed that about 66.4 per cent of the
population in Orissa are lying below the poverty line. This
is much higher than the all India average of 48.1 per cent
of population lying below the poverty line in the year
1977-78. The poverty line has been calculated on the basis
of the per capita monthly consumption expenditure of Rs.39.2
for rural areas and Rs.60.2 for urban areas at 1973-74 prices.
It is further seen that poverty is more concentrated in the rural areas because 68.9 per cent of the total population live below the poverty line.

Again on the basis of the per capita calorie norms recommended by the Nutrition Expert group, which were 2435 and 2095 calories for both rural and urban areas respectively it can be said that nearly 88 per cent of the total population in the state live below the poverty line on the eve of the Sixth Five-Year Plan. Of this nearly 65 per cent of the population are concentrated in the rural areas of the state. It is a fact that in no other states of the Indian Union incidence of poverty is so deep seated as that of in Orissa.

The total population of the state is 264 lakhs as per 1981 Census. Percentage-wise, Orissa accounts for 3.9 per cent of the total population of the state. It is further revealed that a sizeable number of the state's population belongs to Scheduled Castes and Scheduled Tribes. According to 1981 Census the percentage share of scheduled castes and scheduled tribes to total population of the state is 37.1 per cent. As against this, the proportion of scheduled castes and scheduled tribes population to the total population at the all India level is 23.6 per cent. It is further revealing to note that nearly 88 per cent of the
states population live in the rural areas. The percentage share of urban population to total population of the state is only 12 per cent. This shows that urbanisation has not taken place largely in the state. It is further revealing to note that villages having less than 500 population account for 66.4 per cent of the total number of villages in the state. In these small villages alone 28.1 per cent of the total population of the state lives. The villages are not only small in size but they inhabitate a larger percentage share of the population in the state.

Agriculture is the main stay of the majority of population in the state. Nearly 77 per cent of the population in the state are depending upon agriculture for their livelihood and occupation. Likewise, percentage share of agricultural income in the total state income is around 59.7 per cent of the total in the year 1987-88 as per 1970-71 prices. However, compared to the performance of agricultural sector at the all India level, agricultural performance at the state level is not encouraging. There is low productivity in agriculture. It is revealed that net value added in agriculture whereas stood at ₹2,887.2 crores in 1987-88 at current prices in Orissa, the same was ₹21,013.0 crores at the all-India level. Similarly, per hectare average value added whereas stood at ₹3326 for the period from 1985-86 to 1987-88, the same was ₹4209 at
the all-India level. Likewise, per capita rural income from agriculture on an average whereas stood at ₹.1330 for the period 1985-86 to 1987-88, the same at the all-India level was ₹.1431 in the aforesaid period. There is also a discrepancy between Orissa and all India with regard to agricultural production per hectare of land. As for instance, per hectare production of food grains for the period 1984-85 to 1988-89 whereas stood at 928 kilograms, the same at the all-India level was 1190 kilograms per hectare. The causes of low productivity are: inadequate irrigation facilities, low consumption of fertiliser, inadequate mechanisation etc.

Consequently more emphasis is placed upon the development of industries. Development of industries will provide the necessary stimulus for the development of agriculture in the economy. Besides, agricultural development to a great extent helps for the growth of industries by supplying raw materials, food stuffs and surplus manpower. Both agriculture and industry are thus complementary to each other. Balanced development of these two sectors is a sine-qua non of economic development. Since the beginning of plan era, though more emphasis has been put on the development of large and medium scale industries, yet the emphasis on small scale, village and cottage industry, is no less important.
In the rural areas there are quite a large number of village and cottage industries operating in the state. Orissa has the glorious tradition of having artisan based units well spread all over the state. These industries are having low capital investment. They mostly use locally available resources. They are labour intensive units providing opportunities of self employment to rural people. Inspite of the advantages claimed by these units, they mostly suffer from lack of finance. For lack of finance, these units have continued to remain traditional. Efforts towards modernisation & renovation have not taken place significantly. The income of the rural artisans has remained low. They continued to remain below the poverty line. Hence, greater emphasis is placed upon the supply of finance by institutional financing agencies. In course of time, a wide spectrum of institutional financing agencies have come into existence in the state. The institutional financing agencies are; Co-operative Banks, Commercial Banks, Regional Rural Banks and Orissa State Financial Corporation.

Since the nationalisation of banks, there has taken place a phenomenal growth of institutional financing agencies in the state. Both in respect of geographical coverage and functional spread, the institutional financing agencies have shown significant record of performance. The
rural artisans too, have been benefitted much by the spread of institutional financing agencies. With finance supplied from these sources, the rural artisans have made a dent in the development of artisans based units. It is against this background that an humble attempt is made to study the role of institutional financing agencies for the development and promotion of Rural artisans in Orissa.

However, the study is primarily confined to Puri district where the artisan based units are largely concentrated. It is observed that there are nearly 4.14 lakh artisans in the state. Of the total workers engaged in various occupations, artisans account for nearly 3.16 per cent of the total in the year 1978. The number of artisans operating in Puri district alone account for 38 thousands. Of the total artisans, at the state level, the percentage share of artisans in Puri district was 9.17 per cent of the total in the aforesaid year. It is further revealing that bulk of these artisans are mostly located in the rural areas. It is further noticed that among the various categories of artisan based units located at the state, a sizeable number of these units are mostly found at the district level. Besides, it has certain categories of artisan based units which do not figure in other parts of the state. Moreover products of village and cottage industries, produced in district, have great marketing
prospects both in the country and outside the country. It is for all these reasons that the study is primarily confined to the district of Puri.

The district is at present covered by a number of institutional financing agencies like Co-operative banks, Commercial banks, RRBS and OSFC. Besides, there is also the regional office of KVIC in the district. Under different plans, these institutional financing agencies have made significant improvements in financing the artisans, particularly the rural artisans. However, the institutional financing agencies are found to be more active since the nationalisation of banks. The rural artisans have been categorised in the banking circle as the weaker sections. Besides, village and cottage industries have been included in the category of priority sectors for purpose of receiving special treatment. As per the guidelines issued by RBI, banks are required to channelise 40 per cent of their total credit to designated priority sectors in which village and cottage industries form an important component. Of the total priority sector advances again nearly 25 per cent of the advances are earmarked for the weaker sections amongst the priority sector borrowers. Besides, commercial banks, other institutional financing agencies also are required to fulfil this prescribed norm by RBI. At the district level, therefore, institutional financing agencies mainly include:
co-operative banks, commercial banks, Puri Grammya Bank and OSFC etc. It is in this context that a sincere attempt is made to study the role of institutional financing agencies for the development and promotion of Rural artisans in Puri district.

(iii) Objectives of the study:

The study is broadly undertaken with the following objectives.

1. To identify the basic needs and requirements of rural artisans and to analyse how these needs and requirements are proposed to be met by institutional credit agencies.

2. To discuss the existing organisational credit structure and operational policies pursued for rural artisans.

3. To study the performance and working of institutional financing agencies operating in the district.

4. To examine the demand for and supply of credit to rural artisans with a view to make an assessment of the size of credit gap. Besides, discussion will also be made on purpose-wise distribution and utilisation of credit by rural artisans.

5. To study the impact of institutional credit on the growth of output, income & employment by rural artisans.
6. To study the problems confronted by rural artisans and institutional credit agencies in course of their loan operations.

(iv) Hypotheses of the study:

i. Needs and aspirations of rural artisans are many and varying in nature. While institutional credit agencies have fulfilled some, others still continue to be unsolved.

ii. The organisational structure of institutional financing needs further streamlining. There is need for proper co-ordination among these agencies. Likewise operational policies too require to be more flexible and simple.

iii. The working of institutional financing agencies at the district level is encouraging no doubt, but it exhibits an element of lopsidedness. They have failed to meet the total demand for credit by the rural artisans. Besides, whatever credit is supplied that is not fully utilized by artisan borrowers.

iv. The impact of Institutional credit on the rural artisan borrowers indicate that almost a major category of borrowers have benefitted out of institutional finance. In the post-loan period, output, income and employment have shown an
increasing trend in case of a large numbers of artisan borrowers compared to that of pre-loan period. However, the benefits have largely been accumulated by a few artisan borrowers belonging to certain category of artisan units in the post-loan period compared to their counterparts in other crafts. It is further revealed that, a few units have not showed any signs of improvement in the post-loan period, inspite of the incentives of institutional credit agencies.

v. Both rural artisans and institutional credit agencies have come across with a number of problems in course of the loan operations. However, with appropriate corrective measures these problems are likely to be redressed to a considerable extent.

(v) Methodology of the study:

The study is undertaken both with the help of secondary and primary sources of information and data. For secondary sources, reliance is heavily placed on available standard literature, Journals, publications of institutional credit agencies, and Government reports and publications etc. For this, help of standard libraries and research centres have been relied upon.
For primary sources, a field study has been undertaken for the purpose. The operational procedure of the field study is mentioned below. The field study has been undertaken with the help of a questionnaire canvassed to 120 sample selected rural artisans for eliciting relevant information from them. Besides, officials of institutional credit agencies have also been interviewed personally to elicit their opinions on certain issues having bearing on the study.

The coverage of the study as has been mentioned was confined to the district of Puri in Orissa which incidentally is typical of all varieties of artisan (cottage) industries in the state. The artisan industries in Orissa can broadly be divided into five categories like (i) Khadi and Village Industries, (ii) Handloom Industry, (iii) Handicraft units, (iv) Coir Works and (v) Sericulture. The district of Puri is credited with all the above categories except the sericulture enterprises which are confined to limited pockets in the state. Besides the above category all other industries are important in the context of the state. The study was therefore confined to the first four categories.

These four categories constitute some sub-groups under them. Out of total number of 40 types of
sub-classifications seen in the rural areas of the district, where the individual artisans are engaged in one or other of these forty categories of industries, 10 types were chosen with due consideration to the objectives of the study. While choosing the types the choice was not exactly random. But attempt was made to select the typical units which would meet the need of getting all the parameters relevant to the study. To that extent an element of purposiveness was woven into the study. The approach was not estimational rather than a diagnostic attempt.

A comparative statement of the total number of sub-types of artisan units available in the rural areas of the district, and the number of types selected for the study is given below.

<table>
<thead>
<tr>
<th>Category of Artisan Industries</th>
<th>Number of sub-types reported in rural areas of the district</th>
<th>Number of sub-types selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Khadi and Village Industries</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>ii. Handloom</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>iii. Handicraft</td>
<td>28</td>
<td>6</td>
</tr>
<tr>
<td>iv. Coir works</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total:</td>
<td>40</td>
<td>10</td>
</tr>
</tbody>
</table>
For each of the sub-types numbering 10, a single location or village where these units are mostly found was chosen purposively. The sub-types of artisan units with their name and place of study chosen under KVIC, handloom, handicraft and coir works are given below.

<table>
<thead>
<tr>
<th>Main category</th>
<th>Sub Classification</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Khadi &amp; Village Industries</td>
<td>1) Pottery</td>
<td>Jinti</td>
</tr>
<tr>
<td></td>
<td>2) Bamboo Works</td>
<td>Khairpur</td>
</tr>
<tr>
<td>B. Handloom</td>
<td>3) Weaving</td>
<td>Banamalipur</td>
</tr>
<tr>
<td>C. Handicraft</td>
<td>4) Bell metal</td>
<td>Balakati</td>
</tr>
<tr>
<td></td>
<td>5) Stone carving</td>
<td>Konark</td>
</tr>
<tr>
<td></td>
<td>6) Applique</td>
<td>Pipili</td>
</tr>
<tr>
<td></td>
<td>7) Pattachitra</td>
<td>Raghurajpur</td>
</tr>
<tr>
<td></td>
<td>8) Papier machie</td>
<td>Chandanpur</td>
</tr>
<tr>
<td></td>
<td>9) Beads making</td>
<td>Ballavpur</td>
</tr>
<tr>
<td>D. Coir</td>
<td>10) Coir works</td>
<td>Bira Govindapur</td>
</tr>
</tbody>
</table>

Under each of the ten locations, there were roughly 938 artisan unit are seen to be functioning. Out of these units who had availed of the institutional credit were sorted out, which comes out to be 480. Of the total number of artisan units availing bank credit, in each village 25 to 30 per cent of the artisan units/borrowers are selected for field study on random; which comes out to be 120. A
comparative statement of number of artisans availing bank credit in each village and number of sample artisans selected at a random for field study has been given below.

<table>
<thead>
<tr>
<th>Type of Artisan units</th>
<th>No.of Artisans availing bank credit</th>
<th>No.of artisans selected on random for field study (25-30 per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Pottery</td>
<td>68</td>
<td>17</td>
</tr>
<tr>
<td>2. Bamboo Works</td>
<td>36</td>
<td>9</td>
</tr>
<tr>
<td>3. Weaving</td>
<td>108</td>
<td>27</td>
</tr>
<tr>
<td>4. Bell metal</td>
<td>100</td>
<td>25</td>
</tr>
<tr>
<td>5. Stone carving</td>
<td>15</td>
<td>4</td>
</tr>
<tr>
<td>6. Applique</td>
<td>49</td>
<td>12</td>
</tr>
<tr>
<td>7. Pattachitra</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>8. Papier machie</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>9. Beads making</td>
<td>40</td>
<td>10</td>
</tr>
<tr>
<td>10. Coir works</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>480</strong></td>
<td><strong>120</strong></td>
</tr>
</tbody>
</table>

The field study was conducted in January 1989. The results of the field survey were tabulated and analysed.

(vi) Review of literature:

Long since there has been a plethora of literature in the field of institutional financing. As against this,
there is a notable dearth of literature on institutional credit agencies financing to artisans in general and rural artisans in particular. The reason for this is obviously the fact that Orissa remains a relatively backward region till date, where the activities of institutional credit agencies in the rural areas have not caught so much attention of the scholars and academicians. Inspite of the fact that both the country and the state as well have got a rich tradition and widespread network of artisan based units, the literature dealing with institutional credit agencies and artisan sector is few and far between.

others. But the works of these eminent scholars are more
general in nature. They have not gone into specific issues
and have not made any indepth analysis of the problem. More
particularly, there is no reference about the rural artisans
of Orissa in general and the district in particular in these
works.

At the institutional level, Industrial Development
Bank of India has made some attempts to study about rural
artisans. In this context, the publication of IDBI on 'Rural
Artisans', 1985 is of special mention. In this publication,
an attempt has been made by IDBI to highlight the rural
artisans of Orissa, with special reference to Puri district.
But the analysis is sketchy and only makes a cursory glance
at the problem. The Planning Commission, Government of India
has also brought out a 'Report of the Working Group on Khadi
and Village Industries', in the year 1980. The report deals
at length the various problems faced by artisans in general
and provides solutions to remove the problems. However,
there are also some attempts in the report to study
exclusively the issues confronted by rural artisans. The
treatment is more general. It has mainly looked into pros
and cons of the artisan sector in a broad manner.

At the state level, a few researchers have made
certain attempts to study the problem. Among them are:
D.C. Mohanty, 'Small Scale Industries in Orissa: A Case Study of Puri District', 1985, G. Das and S. N. Misra, 'Impact of Bank financing on Applique artisans of Pipili town', R.B.I. sponsored study, 1985, S. N. Misra, 'Role of Commercial Banks in financing small artisans in Orissa', 1985, B. Sahoo, 'Arts and Artisans in Orissa', 1986, Bedamati Mohanty, 'Economics of Small Scale Industries, A Case Study of Cuttack District', 1987 and others. At the Institutional level, NABARD has made a study titled 'Workshop for development of Non-formal sector', 1990. Likewise, UCO Bank, the lead bank of Puri district, has also made some references about 'Rural artisans and artisan based units' in its lead bank survey reports. However, these works are again more of general in nature and lacks comprehensive treatment. They are sketchy and unsystematic. Thus it may be observed that neither at the academic level nor at the government and institutional financing level any systematic and comprehensive attempt have been made to study the role of institutional financing agencies in the development and promotion of rural artisans in an analytical and comprehensive manner.

In this respect, the present study may be considered as first of its kind to go in depth into various aspects of the problem which hitherto remained neglected at the academic level. The analysis presented is more analytical,
comprehensive and systematic in explaining the linkage that exists between institutional credit agencies and rural artisans with particular reference to Puri district. In fact, the study has travelled into an unexplored area which remained outside the purview of academic researchers for a long time. Accordingly, the present study claims its superiority over others as it is more original, analytical, comprehensive and systematic in nature. It has threadbare discussed the entire gamut of problems confronting institutional credit agencies and rural artisans. Besides, the study has undertaken painstaking efforts to suggest measures for the development and promotion of rural artisans with a view to enable them to contribute their might for furthering state's economic development.

(vii) Limitations of the study:

The study is undertaken with the following limitations:

1. The study broadly covers the period from 1969 to 1989. On the basis of the availability of data, wherever possible time series data covering the period is given and analysed. In other cases, data covering the period 1980 to 1989 is presented for analysis.
2. For the purpose of study, rural artisans are considered as those who undertake a capital investment of only ³₂₅,₀₀₀/- in the unit of their operation. They are mostly located in rural centres having less than 10,000 population, as defined by RBI.

3. Institutional financing agencies broadly consists of Co-operative Bank, Commercial Bank and Puri Grammya Bank, mostly supplying short term credit. Since the requirement of credit is also for long term of finance, the OSFC is also included in the study.

4. The study is primarily confined to Puri district as approved categories of artisan based units located in the state level are mostly noticed at the district level. However, in suitable places a relative comparison between state and the district is not overlooked.

5. For purpose of study, 1986 is treated as the pre-loan period, while 1989 is considered as the post-loan period i.e. with a year gap after the sanctioning of credit by institutional credit agencies in 1987.

(viii) Chapter design:

The study has the following chapters:

Introduction.
Chapter I  Place and role of rural artisans in context of rural industrialisation.

Chapter II  Rural Economic backdrop and the current Economic status of rural artisans.
Part I  Orissa
Part II  Puri

Chapter III  Institutional credit structure for rural artisans: Organisation & Operational policies.

Chapter IV  Working of institutional financing agencies in Puri district.

Chapter V  Demand for and supply of credit: the credit gap.

Chapter VI  Impact of Institutional credit on the generation of output, income and employment by rural artisans.

Chapter VII  Problems confronted both by rural artisans and institutional credit agencies.

Chapter VIII  Summary and Conclusion.