

CHAPTER VII

CONCLUDING OBSERVATIONS AND SUGGESTIONS

As the Indian industry entered into the third millennium, the most daunting challenge it has to encounter in a liberalized global trading system relates to the attainment and maintenance of technological competitiveness while a vast network of technological infrastructure has been built in the country and considerable progress has been achieved in the industrial and scientific arena since independence. Many industries, mostly in the small scale sector still suffer from technological obsolescence as compared to that of the international level. More importantly, any technological innovation has not trickled down to the desired extent to the small scale and rural industries. It has been observed that the linkages between R&D and SSI's and also between parallel units and SSI's, are weak. Similarly, the linkages between trade consultants, media, websites, trade fairs, industry associations, on the one hand and SSI's, on the other hand, are simply moderate. This is because of the fact that institutional research is not demand-driven and there is mismatch between institution's orientation towards basic research and industry's needs for few or improved products.

The role of non-farm sector is crucial for generating productive employment alleviating poverty as the absorption capacity of workforce in agriculture sector is gradually shrinking. The policy makers are increasingly recognizing the importance of rural non-farm sector in providing sustainable livelihoods to a large number of labour forces in rural areas. There are several factors which contribute in the growth of rural non-farm sector. The policies of liberalization and globalization of Indian economy have brought about drastic changes in the macro economic environment which have implications for the development and promotion of rural non-farm sector. Though, globalization has had a negative impact on some of the rural occupation, it has also opened up

some new employment opportunities as competitive advantages have promoted the flexible and decentralized production systems. Development of rural non-farm sector has also led to the emergence of new markets which can serve as important links between villages and cities as well as effective centres for rural hinterland.

The growth of rural non-farm sector in the State of Uttar Pradesh has accelerated in the 1990s mainly due to the process of agricultural modernization, diversification and the expansion of government employment especially during the seventies and eighties. Many of traditional household industries are declining due to changes in consumer's taste and competition from organized industries. Moreover, many traditional occupation based economic activities have fallen down due to decline in Jajmani system and also due to job mobility and occupational shift. Despite the decline in traditional industries, some of the traditional economic activities such as chikan craft in Lucknow and its adjoining areas and carpet industries in Varanasi and Bhadohi region witnessed significant growth. The regional dynamics of growth also demonstrates regional disparity in terms of the growth and development of non-farm sector and rural industries. The diversification of rural economy through promotion of rural non-farm sector is imperative for raising income and employment levels, and for reducing poverty.

It has been observed that there are strong linkages between agricultural development and growth of rural non-farm sector. The regions which are backward in agricultural development and diversification of agriculture, a high proportion of workers are found engaged in non-farm sector. However, agricultural development leads to growth of non-farm activities through forward and backward linkages.

The rural non-farm sector is dominated by retail trade, personnel and community services and to a little extent by the manufacturing activities. The services oriented non-farm activities are gaining importance as these require a little bit of investment and show high potential for employment generation. The

non-traditional non-farm activities may no doubt produce higher earnings but they need high level of investment. Over the years, the expansion pattern of manufacturing activities especially traditional household based enterprises has considerably been declining while the non-farm activities pertaining to trade, services and transport are expanding.

The size and structure of non-farm sector has been measured in terms of composition of the workforce participation and the size of employment in non-farm sector. Agriculture and its related activities employ a major chunk of labour force. There has been increasing trend in non-farm employment which shows a gradual shift of rural employment from agriculture to non-agriculture sector.

The increasing pace of agricultural diversification, industrial development, urbanization and marketing network has influenced the expansion of rural non-farm sector. However, the decline in Jajmani system has deteriorated the indigenous mode of production in rural areas along with the shrinking employment opportunities among the socially disadvantaged group. The problems of deforestation and degradation of natural resources have also accentuated the problems of decreasing supply of raw materials to the manufacturing activities.

With gradual industrialization and advancement of workers having basic skills in the trades start to face fierce competition from their competitors, who use advanced technology, modern machines, new designs, etc. This is one of the strong reasons of deterioration of their overall condition. There are millions of workers in the states of northern India living in rural areas, suffering from illiteracy, superstitions and financial weakness and unable to enjoy the benefits of technological development. Neither they were brought close to the new technology nor were they educated.

Some of the infrastructural inadequacies affecting the SSI sector are absence of design centres, evaluation and demonstration facilities, lack of services and feasibility studies, poor assistance for pilot plant trials, inadequate

testing facilities, high cost of maintenance, environment cleanliness, including effluent treatment and disposal facilities, absence of common facilities, non-availability of developed tool rooms and standards for ensuring quality and accuracy of the work/product, proper storage and handling facilities. Lack of infrastructural facilities has hampered efforts towards attainment of technological self-reliance for small-scale industries. The SSI's lack technology capability to reduce dependency on advance countries. In the Indian context, ITC is found to be weak mainly due to: (i) Inadequate management skills; (ii) Lack of access to technological information and consultancy services; (iii) Relative isolation from technology hubs; (iv) Inadequate quest for technological advancements; (v) Inadequacy of financial capability; (iv) Low levels of investment in R&D; (vii) Inadequate adaptability to changing trends; (viii) Non-availability of technically trained human resources.

An industrial production is associated with the problem of disposal of effluents. However, the leather, chemical, sugar and tannery industries have been singled out as pollution intensive industries. There is belief that the large scale unplanned tanning actively can erode the soil. The leather industry is one of the major industries that discharge toxic pollutants like sulphide, phenolic compounds, chromium and other minerals salts, dyes, solvents, etc. Out of which, chromium contributes a major share to the potentially hazardous nature of tannery effluents. Owing to above hazards a stringent environmental regulation is at present posing an important threat to the growth of leather industry. Most of the tanneries in India are century old with no drainage facilities and adequate measures to recycle or diffuse the effluents.

Small enterprises are presently handicapped in comparison with large units by an inequitable allocation system for scarce raw materials and imported components. The SSI sector has not shared proportionately, the growing supplies of scarce raw materials. In village industries, raw materials account for more than 60 per cent of the total cost of the products, and some industries, like leather, oil metal products it is even higher than 80 per cent. New enterprises

face problems in obtaining raw materials in the absence of a proper and equitable policy of raw material distribution.

There has been a decrease in availability of many of the materials needed for craft manufacture and a decline in quality in many of the still available materials. The materials facing the most severe shortage today are wood, cane, silk, scrap and virgin metal. The costs of some of these are rising faster than the Wholesale Price Index.

Importantly, many the agro-based industries find it difficult to obtain the right type of raw materials at the right time and at moderate prices. Agricultural produces are seasonal products. Agro-based industries suffer from this problem due to their poor financial position. They cannot stock adequate raw materials when they are available. Agro-based industries obtain their inputs from agricultural sector. The output of agricultural sector depends upon the soil, climatic conditions, rainfall, use of fertilizers, pesticides etc. Therefore, agricultural output cannot be increased according to the demands of agro-based industries. Therefore, agro-based industries face the problem of inadequate raw materials.

Lack of finance has been a serious problem by the small- scale industries. This problem becomes acute after 1972-73 policy in terms of modernization and expansion of industries. In the states of northern India, the small business entrepreneurs rely on traditional sources of finance such as personal or family sources or local moneylenders. Credit available through financial institutions is either availed by large entrepreneurs and the smaller ones are deprived of it due to illiteracy, lack of awareness, tedious procedure required for obtaining loans, or due to local petty politicking. Large industrial institutions with enormous resources take fuller advantage and keep growing further. If this problem is not checked now, the large business entrepreneurs may eat up the small industrial entrepreneurs.

Capital is one among the four factors of production. No industry can function without capital. Capital is necessary to carry on productive activities. Capital is also necessary for development and expansion. Therefore, capital is the lifeblood for every business owners of agro-based industries. They cannot obtain adequate financial assistance from the financial institutions because they do not have right type of security which is demanded by the financial institutions as collateral security. So for their financial requirements, they often go to moneylenders who charge exorbitant rates of interest. Small industries face the problem of the irregular supply of power. In many towns and villages, power is not available. So the small agro-based industries have to use manpower to its optimum level and produce the commodities. Thus, the cost of production is very high. At the same time, they are unable to sell their products at a profit. Small industries also face the problem of poor transport facilities. Development of transport facilities is inadequate. In many towns, there are no proper roads to transport the output of industries. The cost of transport also results in an increase in prices. Hence, the products are sold in local areas at low price.

The industries are facing too many visits and inspections by the Government officials regarding sales tax formalities and other such regulations and over-emphasis by Government for implementation specifications for buildings, trading to high investment. One of the major problems which entrepreneurs face today is related to availability of labour. The non-availability of qualified technical manpower is emerging as a major impediment in the speedy growth of industries. The small industries suffer from administration difficulties. Applications for access to almost any form of governance service involve the endless filling of forms. The complexity of procedures, the multiplicity of required clearances, and the low salaries of the junior clerks who are involved at every stage result in wide spread corruption.

The present study has been planned in seven chapters. Chapter 1st is introductory one which highlights the importance of globalization and technological change, relevance of the study, objectives and research design of

the study. The study aimed at analyzing the trends of employment generation through rural industrialization in India and particularly in the state of Uttar Pradesh. It also aimed at examining the status of rural industrial development in Rae Bareilly district of Uttar Pradesh and suggesting measures for effective and efficient management of industrial units. The study is based on mainly primary data collected through field survey in Rae Bareilly district of Uttar Pradesh. Besides collection and analysis of primary data, secondary data and pertinent literature have been compiled from published and documented sources for critical appreciation in order to get the insight on the topic of research investigation.

Chapter 2nd deals with industrial development in India. The chapter gives an overview of industrial development in India. Policy shifts in industrial development has been analyzed while emerging trends in manufacturing sector and industrial growth have been analyzed. Chapter has also reviewed the growth trends in industrial development in India. It has been observed that there is regional disparity in industrial development and also in flow of foreign direct investment in industrial development. Chapter also focuses on emerging perspective of rural development and revitalizing of rural economy in the context of inclusive growth and development.

Chapter 3rd deals with industrial development in Uttar Pradesh. Uttar Pradesh has vast potential of industrial development. However; it is still lagging behind from many states of northern India. During 1990s, the growth rate in industrial sector was about half of the growth rate of national average and even the growth rate has fallen down 23.6 per cent in 1990s from 7.7 per cent in 1980s. However, state has vast potential for employment generation through developing rural and agro industries in the state. With the liberalization of Indian economy in the 1990s, the state government also made serious attempts to achieve rapid progress in industrial sector. It also formulated state policy for industrial development and provided concessions to the industrial entrepreneurs. However, there is regional disparity in the industrial development. Most of large

and medium size industries are found located in western region while the Bundelkhand and eastern regions suffer from industrial backwardness. Despite the lucrative state government policies and facilities, it has failed to attract the foreign direct investment to the desired level. U.P. Development Council has also been formed to provide direction for industrial development and also attracting investors for the overall development of state. Though, there has been remarkable progress due to the Council, however, remarkable progress in industrial sector could not be achieved so far.

Chapter 4th is concerned with industrial development in Rae Bareli district. District Rae Bareli is situated in central Uttar Pradesh. It has been Parliamentary constituency of two successive Prime Ministers like late Smt Indira Gandhi, Late Shri Rajeev Gandhi and presently represented by the Chairperson of ruling party at the centre, Mrs. Sonia Gandhi. Due to political patronage, the district has mobilized financial investment for the development of industries and overall socio-economic development. The district has good potential for industrial development; however, it is predominantly agrarian with 60 per cent of its geographical area under cultivation. During 2006-07, there were around 2000 registered industries with employment of around 1800 persons. There were about 4410 small industries and around 7000 khadi industrial units. Most of the khadi industrial units were found in the sectors of engineering and miscellaneous. There were around 11000 rural and small scale industries with employment of around 13000 persons. However, total registered factories during 2003-04 were about 50 only. The number of such factories has declined from 111 in 2001-02 to 52 in 2003-04. Most of the units were found unregistered. The number of industrial states in the district has also fallen down from 15 in 1992-93 to 7 in 2006-07. The block-wise location of industrial units also demonstrates regional disparity. The district has vast potential for rural non-farm sector and particularly agro and food processing industries.

Chapter 5th deals with development of rural industries in Rae Bareli district. Chapter is based on mainly primary data collected through field survey.

In order to analyze the emerging trends and patterns in industrial management, the analysis of chi square test in some of the relevant tables has also been ensured. Most of the surveyed units were found to be tiny and small due to their cooperation during the field survey. Out of total surveyed units, 30 per cent units were from manufacturing, 26.43 per cent from distribution, 14.29 per cent from traditional business and 12.86 from service sector. Most of the respondents reported that they personally established the industrial units. However; around 30 per cent units were also established by parents of the respondents. Most of the units were established before 10 years. The important motivating factors for establishing the units were access to family skill, raw materials, local demand of products, lack of employment opportunities, traditional business and availability of government facilities. Average capital investment in the units was reported to be low due to higher concentration of tiny and small units in the sample. The average capital investment was reported to be Rs.9.63 lakh at the initial stage. This has almost tripled at present. The major sources of finances were self contribution, government loan and contribution from relatives and friends. Only 42 per cent industrial entrepreneurs accepted that they received financial assistance from the government agency after the establishment of the units. Similarly, only 2/5th respondents received vocational training for proper management of the industrial units. The major sources of machinery and equipments were self manufactured and locally manufactured. Most of the respondents revealed that the presently installed machinery in the units is not adequate to increase productive efficiency and maintaining the quality of the products and thus, around 2/5th respondents desired for modern machinery in their units. A rough estimate for cost of production also demonstrates that around half of the cost of production is related with purchase of raw materials while around 13 per cent cost is concerned with wages and salary. The marketing arrangements and sales are not found to be scientific and institutional. Most of the entrepreneurs make their own arrangements for selling of the products. However, majority of them do not prefer promotional media for the brand promotion of the products. Thus, a large number of entrepreneurs are

facing marketing problems. However, they suggested that improvement in technologies, quality, availability of transport subsidy, access to transportation, cooperative marketing, introduction of rebate on sale, organizing exhibitions, bringing additional designs of products, etc. may be helpful in resolving the existing marketing problems. Most of the industrial entrepreneurs also reported that they faced problems in growth of industrial units. These problems are related with finance, investment, returns, competition in marketing etc and therefore, a large number of entrepreneurs are no more interested to expand the units. However, they desired for secured access to raw materials, adequate financial arrangements, improved marketing network, technology upgradation, etc. for expansion and development of the industrial units.

Chapter 6th is dealing with industrial workers. It provides socio-economic background of the industrial workers, their participation in industrial development and management. Most of the respondents were from the medium age group. Their educational levels were found high as a large number of workers were graduates and technical. The average monthly income of industrial workers was reported to be Rs.3585. The industrial workers contribute significantly in their family income. The annual household income was reported to be Rs.41130 per family. About 37 per cent respondents also admitted that they received training for improving their productivity and efficiency. Most of the workers reported that they are involved in decision making process of the industrial units. However, they are depend on trade unions for resolution of their problems.

Chapter 7th is concluding one which provides concluding observations, summary of the research findings and policy measures for strategic management of the industries.

Suggestions

- The Government of Uttar Pradesh should ensure that all micro and small enterprises in the state are registered by simplifying business registration

procedures. This could involve the computerization of registration processes as well as the decentralization of registration decision-making.

- Government should make sure smooth regulatory processes, such as tax, labour and health regulations, to reduce the compliance costs and time required for micro and small enterprises through simplifying the regulatory process by government.
- General Managers and officials of District Industry Centre should be sensitized to become more aware of how they can support micro and small enterprises in their functioning. Special attention should be paid to the role they can play as facilitators and educators and not only as regulators.
- State government should make sure those district industries centres are converted into small business development centres. Regional level centres should be established to provide micro and small enterprises, information and guidance on regulations and programmes, professional business advice and consultancy, access to funding or financing, training and help in gaining official approvals.
- Government should establish a social security net for micro and small enterprises owners and workers with contributions from employer, employee and the state. Government should promote the development of entrepreneurship skills; move and training programmes are required that target industry clusters as well as mobile clinics that move around the state.
- Infrastructure in industrial estates and improvement the quality and quantity of power supplies should be improved in order to enable industrial entrepreneurs for effective functioning of micro and small enterprises in the state. This could involve greater use of public-private

partnerships to maintain industrial estates and the attraction of private sector investment for infrastructure development.

- Quality control is very important at all the stages. It should be done in three phases: (i) raw materials—materials characterization and testing of relevant properties; (ii) in process—mould preparation, temperature, pressure, mass flow rate, etc.; (iii) post fabrication—non destructive tests, batch level destructive tests such as mechanical testing, environmental testing, etc.
- Government must eliminate all reservations in SSI sector. State governments and industry bodies have to take a lead to identify SSI clusters, promote cooperation between business and local authorities for cluster development, and formulate policies that attract investment to these clusters.
- State needs priority in development strategy for development of infrastructure such as power, roads, highways, railways, ports, transportation etc. For this, State needs priority in foreign/private participation that permits formation of joint ventures for strengthening and growth of network of national and state highways, power generation and growth of economic zones.
- It is recommended that a State Technology Development Fund for small industries be established to act as the main conduit of transmission mechanism of the State Mission on Technology. The fund should be routed through SIDBI because it is the principal financial institution for SSIs. The fund should support SSI units in absorbing technology transfer costs, meeting with initial ground work related expenditure. The fund should initiate efforts at the earliest to set up technology packages, clusters for SSIs in important zones to promote induction of new technologies, incremental innovation and effective transfer.

- The industrial estates can provide the following facilities in addition to develop plots and buildings such as (i) common utilities like power, water, electricity, industrial gas, compressed air etc., (ii) offsite facilities like water tanks, storages, fuel supplies etc., (iii) common effluent treatment and disposal, (iv) communication facilities, (v) secretarial facilities, (vi) staff housing, (vii) transport facility, (viii) medical facility, (ix) fire protection services etc.
- It is recommended that central facilities should be established for small and tiny sectors for liaison work and market development. These SSIs should also be availed for the benefits of product exhibition for export.
- It is also recommended that State Technology Information Bank should be established to make a mission of spreading knowledge about every aspect of technology to all small scale industries situated at every part of the state. It should act as a Central Document Centre by sourcing, collecting and disseminating information regarding the availability of technology developed technologies as well as technologies available in the country and abroad.
- There has to be change in the mind set of individual entrepreneurs to recognize the changing reality and to move as far as possible to change and adopt. This can be catalyzed by efforts of industry associations. The associations and other forms of intermediate local government structure in step with needs of local industry play a pivotal role in aiding government to develop a cluster approach. It is necessary that the industry associations help in establishing both backward and forward linkages for sustenance and development of small industries.
- To minimize the financial problem, authorities can minimize the time taken for loan sanctioning and ensure the loan at the time of requirement. Funding alone is not sufficient to make it economically viable, it is

important to make radical changes associated with regulating production, marketing projects etc.

- Rural activities, including arts and crafts with a potentially large and expanding market, should be identified in different regions and appropriate technological and market information support should be provided to them to raise their productivity. Marketing channels should be developed for the products of the rural non-farm sector. There is a need to link the micro-markets to the larger macro-markets.
- The producers' cooperatives should operate as companies and develop strategic relations with the corporate sector. There is need to frame rules and evolve community collateral to empower producer groups. Areas and sub-sectors where these association/organizations can replace/cooperate with government and other institutions need to be identified.
- Cluster development approach may be adopted for promoting growth and development of rural non-farm sector. The arts and crafts which have shown potential in employment generation and export earnings should be identified and developed with the use of appropriate technology and market support.
- NGOs and government interface is to be encouraged for the development of rural non-farm sector and promotion of non-agricultural employment. The associations of producers and workers organizations may play an important role in the development of many sub-sectors. The producers' cooperatives should operate as companies and develop strategic relations with the corporate sectors.
- The SHG based micro financing should be taken as a movement for the development of rural non-farm sector. There should be effective coordination among the promotional agencies for initiating income

generating activities in non-farm sector as well as providing critical support of capital and skills.

- Planning for rural industrialization should be made at the grass root level. This could be integrated into the national plan to avoid lopsided development. A team of social workers, local officials and experts should make a detailed assessment of natural resources, per capita income and capital, wage rates, land holdings, level of literacy and the attitude of the rural people by holding discussions with the cross sections of the rural population.
- Infrastructural facilities like roads, power, transport and communication must be created prior to the implementation of the rural industrialization programme. Villages must be linked by roads from all sides and rural electrification should be given utmost importance.
- Skill development should be taken as priority. Therefore new programmes for vocational skills and capacity building must be organized for orienting the new technology of production, diversification of production process and effective marketing of goods and services.
- Finance is the life blood of rural industrialization. Therefore micro credit should be further strengthened and promoted. Bankers should come forward to extend credit to the rural entrepreneurs for setting up their micro economic enterprises.
- Marketing is the main problem for rural industrialization. The marketing efforts of the existing rural industries lack proper organization, product standardization, due publicity and accessibility to market. Thus, it is imperative to impart managerial skills and marketing negotiation to the entrepreneurs so that they are able to face the marketing competition and manage the industrial units.