CHAPTER-I.

RESEARCH DESIGN

AND

METHODOLOGY OF THE STUDY.
The paradox of the "Development Decade" inspite of all round development at macro level - was an increase in absolute number of people below the 'poverty line', defined in terms of consumption of minimum calories. This increase in 'poverty' was more pronounced in the rural sector than in the urban sector. It was also observed that the increased urban squalor was due mainly to the migration of the rural poor to the urban sector. Since the expansion of employment in the organised urban sector was limited, large scale transfer of unemployed, underemployed and the disguisedly employed rural labour to the urban sector
was ruled out and the growing rural labour force was to be provided with fuller employment within the rural sector only.

The Indian Planning Commission felt that "the village and small Industries Sector, has a definite potential for providing increasingly larger employment opportunities with a relatively small capital investment." Establishment of these industries also involves a comparatively shorter gestation period. The products of these industries are capable of meeting a substantial part of the essential

1. Government of India, Ministry of Industrial Development in their Notification No. SO/Ind./298/75 or 19th May, 1975 have defined industries in the small scale category as "undertakings having investments in fixed assets in plant and machinery not exceeding Rs.10.00 lakhs" (One million rupees).

In Austria, Belgium, France, Sweden, Switzerland, small and medium businesses are commonly understood as being those with less than 50 employees. In Denmark, Ireland and Norway typical small businesses employ less than 20 persons. Italy, generally include firms with up to 100 employees in this category. In Finland, Industrial enterprises with not more than 100 employees and an annual production not exceeding 3 million markkas are regarded as small industries. In France, the lower limit of employment in a small industry is 10 employees (to avoid overlapping with craft employees) while the upper limit is up to 500 employees. In Japan, the Fundamental Law of Medium and Small Enterprises defines the small and medium sized enterprise as one either having capital not exceeding Y50 million or having not more than 300 employees in manufacturing industry.

and other requirements of the masses..."\(^2\). In a capital scarce country like India, where labour is abundant, rather "redundant", labour intensive technology will have a prominent role to play in the production of goods of mass consumption. "Our Economic Organisation has necessarily to be such or overwhelmingly such that the ratio of output to capital is higher and that to labour, than where it is labour that is the scarce resource".\(^3\)

Even in early sixties, some of the thinkers in Orissa had the foresight to judge the shape of things to come for which they thought out policies that the Government of India are trying to put into practice at present.\(^4\)

This thinking of the people at the helm of affairs resulted in a policy decision of the Government of Orissa in 1961-62, in establishing Panchayat Samiti Industries in the Small Scale sector. The authorities wanted "to return to the villages what has so cruelly and thoughtlessly been snatched away from them by the city dwellers".\(^5\)

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4. The District Industries Centres Programme is only a variant of the programme adopted in early 60s in Orissa.
5. Mahatma Gandhi quoted in Charan Singh op. cit. p-120.
The Government of Orissa took the initiative to establish various types of small scale industrial units in each of the 306 Panchayat Samities and 2289 Gram Panchayat areas. These units were to be set up with the Gram Panchayats, Panchayat Samitis, with artisans, producers and the Government as members. The units were required to be registered as industrial cooperative societies with the Registrar of Cooperative Societies, Orissa.*

OBJECTS OF THE PROGRAMME.

The objective of this programme was to transform the stagnant rural economy into a buoyant industrial economy by setting up industries in rural areas which would utilise local raw materials and skill so that the surplus generated from these units would go a long way in achieving social economic uplift of the rural areas and in strengthening the process of democratic decentralisation.

* The details as to how the units came into existence are discussed in Chapter - II.
The broad objectives could be summarised as under:

1) To create an industrial awareness in rural areas,

2) To utilise the raw material resources of the area in the best possible manner,

3) To provide additional employment in the area by utilising the available skill and to acquaint the rural people with the power driven machinery,

4) To strengthen the process of democratic decentralisation by allowing people at the lowest level like landless labourer and artisans to participate in production and management,

5) To provide economic infrastructure like construction of roads, industrial sheds, electricity etc. in rural areas.

As a result of various measures taken by the Government of Orissa a number of units came up in the small scale sector in various parts of rural Orissa. The position of the existing industrial units in various categories are presented in Table - 1-1.

6. Details discussed in subsequent chapters.
presented in Table-I-1 below:

<table>
<thead>
<tr>
<th>Sl. Category</th>
<th>No. of units</th>
<th>No. of units from which data were to be collected</th>
<th>Col.2Nos.</th>
<th>Percentage of Col.4 to Col.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Carpentry</td>
<td>32</td>
<td>19</td>
<td>17</td>
<td>53.12</td>
</tr>
<tr>
<td>2. Light Engineering</td>
<td>7</td>
<td>7</td>
<td>5</td>
<td>71.42</td>
</tr>
<tr>
<td>3. Sugar</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>60.00</td>
</tr>
<tr>
<td>4. Tile</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>80.00</td>
</tr>
<tr>
<td>5. Rice Huller-cum-Oil Expeller</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>50.00</td>
</tr>
<tr>
<td>6. Oil Expeller</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>66.66</td>
</tr>
<tr>
<td>7. Miscellaneous</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Total: 67 38 33 59.00**

*The units in this category, are excluded from the study as their performances are not comparable because of their diverse nature i.e. stone crushing, aluminium, utensils, brick making etc.

**The percentage calculation excludes the misc. category (11 units) since these units are excluded from the study.
IMPORTANCE OF THE STUDY:

The uniqueness of the policy and programme of rural industrialisation of the Government of Orissa lies in the fact that, it was the first State in the Indian Union to conceive the programme of implementing rural industrialisation. The present study, therefore, will try to throw light on the role played by the small scale units established in various parts of the rural Orissa, in its reconstruction. The findings of the study are likely to provide guidelines for the future programmes of rural industrialisation in Orissa.

The study assumes added importance in view of the fact that studies made so far on the subject are both inadequate in their coverage and analysis. The 'Report on the Evaluation of Rural Industries Programme in Orissa,' conducted by the Planning and Coordination (Evaluation) Department covered only 19 units under Panchayat Samiti Industries Programme which formed only 20% of the total existing units and analysed data for two years i.e. 1963-64 and 1964-65, only, which were the initial years of the programme. From the agro based units, the study covered only the sugar units. The study did not attempt to find out the profitability of the units in relation to their...
The reference to marketing management was very sketchy. There was no attempt to study the deviations observed from the schematic provisions of the Panchayat Samiti Industries Programme.

The Evaluation Committee Report was mainly concerned with broad aspects of the implementation of the programme instead of a thorough in-depth analysis of the units, in respect of their costs and returns, management and other related vital problems. Since it was an interim report, the preliminary findings necessitated an in-depth study of the prima facie problems observed by the Committee.

This study intends to take a bigger sample of 60% of the existing units with the emphasis on all types of agro-based industries and analyse data for four years, 1970-71 to 1973-74, a period chosen after the Panchayat Samiti Industries Programme had already worked for about 10 years. It is intended to study Financial Management, Marketing Management and Industrial Management aspects of the programme in great detail to observe the deviation if any from the schematic provision of the Panchayat Samiti Industries Programme.

SCOPE AND LIMITATION OF THE STUDY.

The study intends to cover a few important aspects cited in the previous paragraphs through a sample survey at operational level and a macro study at the State level, in the State of Orissa. The conclusions to be derived from the study are, therefore, applicable to special conditions obtaining in Orissa and cannot be generalised as a policy for rural industrialisation in other parts of the country. However, certain general observations will be of importance for other developing regions in India experiencing similar constraints for the development of industries.

OBJECTIVES OF THE STUDY.

The study intends to find out:

(a) How far the Panchayat Samiti Industries Programme has created industrial awareness and entrepreneurship in the rural areas,

(b) If substantial employment has been generated due to this rural industrialisation,

(c) If the Panchayat Samiti Industries Programme has created substantial financial surplus,

(d) If the Panchayat Samiti Industries Programme has created the basic rural infrastructure for rural industrialisation.
(e) How far the present policy to follow the pattern of industrial cooperatives has been helpful for rural industrialisation,

(f) Whether coordination between various agencies at operational level was effective, and

(g) To what extent the outputs were produced by utilising the local raw materials and meet the local needs.

RESEARCH DESIGN AND METHODOLOGY:

It was envisaged to study at least 60 per cent of the units in each category except for the categories having special problems like Light Engineering and Tile, in which case as many units as possible were covered. The 60 per cent of the units from each category i.e. Carpentry, Sugar, Rice huller and Oil Expeller were selected by random sampling. Out of 19 units selected from Carpentry category, reliable data could be obtained only from 17 units, after repeated trials. From Light Engineering and Tile categories, reliable data could be obtained only from 5 and 4 units respectively. Therefore, the units from which the reliable data could be obtained alone, were included in the study. So in all 33 units were included in this study. The data actually collected are given in Table-X-1. Detailed data were obtained from the units in specially designed schedules through personal investigation, interviews with the Panchayat Industries.
Officers after probing and proper verification of relevant data registers maintained at the unit level. Data in respect of the State as a whole were obtained from various executing agencies of the Government of Orissa. The data have been collected up to 1974 as the units expressed their inability to part with the unaudited data.

8. It has been observed in subsequent chapter that there is usually an audit arrear of about 4 years.