CHAPTER II
RURAL INDUSTRIALISATION IN INDIA

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CHAPTER II
RURAL INDUSTRIALISATION IN INDIA

2.1 Prior to independence in 1947, the development of Khadi and Village industries in India was entirely a non-governmental effort under the guidance of Mahatma Gandhiji. Gandhiji regarded Khadi "as the central sun around which the other village industries revolve like so many planets. They have no independent existence nor khadi can exist without other village industries. They are absolutely inter-dependent". 35 He formed two organisations viz. "All India Spinners Association" (AISA) in 1925 and "All India Village Industries Association" (AIVIA). The main objective 36 of forming these two organisation was to revive:

(i) the extinct craft of spinning and
(ii) some languishing Industries through improvement in tools and training.

2.2. After independence, much importance was attached to rural industries. The development of cottage industries in rural areas was included in the Indian Constitution. Article 43 of


the Indian Constitution relating to the Directive Principles of the state policy says that "in particular the state shall endeavour to promote cottage industries on an individual or co-operative basis in rural areas". The Five Year Plans implemented for the economic development of India laid stress on development of rural/village industries.

The Govt. policies about rural industries is analysed in the next section of this chapter. In what follows is study of concept of 'Rural Area' and 'Rural Industry'.

RURAL AREA

The term rural and village can be taken as synonymous

2.3. In India a rural area is one which is not an urban area. Urban area is defined in 1981 population census as follows

a) All statutory towns, that is, all places with a municipality corporation, cantonment board or notified town area etc.

b) All other places which satisfy the following criteria

(i) Minimum population of 5000.

(ii) At least 75% of male working population engaged in non-agricultural (and allied activities).

(iii) A density of population of at least 400 per sq k.m.

As per the KVIC Act of 1987, a rural area has been defined

to mean a place with a population not exceeding 10,000 (or such other figure as may be prescribed from time to time).

United Nations defines the term "rural" to include locations with up to 20,000 population. 38

In the Philippines, Korea and Japan larger towns or cities are also included in the 'rural category' in considering the location of rural industries. 39

In defining 'Rural', a definition based on population size of communities which may vary from 2000 to about 10,000 is usually attempted. 40

A symposium held in 1989, at Tokyo, Japan, adopted the broader definition of rural which would include not only villages but also small towns and cities often identified as market towns or growth centres and sharing much of the

38. Virchandra: Promotion of Rural Industrialisation in the least developed countries, paper presented at meeting of International Committee on Rural Industrialisation and Craft Development at Bangalore, 24-25 May 1994, p.5


Rizwanul Islam\textsuperscript{42} advocates that, if people in villages have access to employment opportunities available in nearby small rural towns, or market centers (or the so-called 'rural growth centres' as they are often termed), such locations should also be covered by the term rural.

2.4 From the foregoing definitions it is clear that, the term 'rural' has been defined in different ways. In Indian context, the term rural area shall necessarily exclude urban areas and therefore the definition provided by population census of India may be accepted.

Further, while selecting a rural area for the purpose of industrialization, we have to take into account the population of weaker sections, hilly and tribal areas, literacy rate, poverty ratio and the like. The problems of India are quite different from that of Japan, Korea etc. Our objective is to provide employment opportunities to rural people at their place only. As noted earlier, nearly 3/4th of our population lives


in rural areas and hence our attention should be towards the development of rural areas. Our focus should be on development of villages first.

However, for the purpose of industrialization of rural areas, we have to adopt cluster approach. That is, instead of selecting a single village, few say 4 to 5 surrounding villages have to be selected. The selection should be based on backwardness, resources both men and material etc.

Rural Industry

2.5 The term 'Village Industries' can be taken as synonymous with the term 'Rural Industry'. In simple words a "Rural Industry" is the one established in village/rural area.

2.6 In the KVIC amended Act of 1987, Village Industry has been defined as follows.43

Village Industry shall mean an industry which is located in a place with a population not exceeding 10,000 (or such other figure as may be prescribed from time to time) which produces goods or services, with or without the use of power and in which the fixed capital investment per head of artisan/worker does not exceed Rs. 15,000 or such other sum as may be prescribed from time to time.

However, any nonmanufacturing facility or unit that may be located in place with population exceeding 10,000 in connection with the sole purpose of promoting maintaining assisting servicing (including mother unit) or managing a village industry as defined shall be deemed to be a village industry.

2.7 Reserve Bank of India defined village industries as artisans (irrespective of location) or small industrial activities (manufacturing processing, preservation and servicing) in village and small towns with a population not exceeding 50,000 involving utilisation of locally available natural resources and or human skill where individual credit requirements do not exceed Rs. 25,000.

2.8 The Village industries also called rural industries, cottage industries, traditional industries and decentralised industries, are usually village based and inputs for these come from rural areas. These may be agricultural based, forest based, mineral based, or animal husbandry based, available in the area. These industries utilise local raw material and skills and produce articles for meeting local needs.


2.9 P.N. Dhar and H.F. Lydall\textsuperscript{46} have described cottage industries as almost entirely household enterprises (employing little/no hired labour), most of them derive their raw materials from local sources and they sell most of their products in local market. They are, in sum, small scale, rural localized and technically backward.

2.10 A rural industry must satisfy certain conditions: These are (i) lower capital investment; (ii) labour intensiveness; (iii) use of simple and traditional technology, (iv) local manpower, (v) local raw material and markets as far as possible. With the increase in rural electrifications the use of power in these industries is not ruled out. Similarly, the labour employed could be both family labour as well as wage labour\textsuperscript{47}

2.11 A joint study\textsuperscript{48} by the UNDP, ILO, UNIDO and the Government of the Netherlands entitled 'Development of Rural Small Industrial Enterprise - Lesson from Experience (1988)' regards

\begin{flushright}
\textsuperscript{46} Dhar P.N. and H.F. Lydall: The Role of Small Enterprises in Indian Economic Development, Asia Publishing House, Delhi, 1961.
\textsuperscript{47} Mohammed Fazal: Weaker section and Rural Industrialization, Khadi Gramodyog, Annual number, October 1980, p. 15.
\textsuperscript{48} Vir Chandra: Op cit p. 5.
\end{flushright}
both micro enterprises (having 0-4 employees) and small enterprises (having 5-25 employees) located in the country side and in villages and towns provided they are industrial as rural small industrial enterprises (RSIE'S). 'Industrial' indicates manufacturing. It also includes as few activities, such as metal working, repair shops, which use much the same equipment and skills as their counterparts in pure manufacturing. Enterprises mean an organization primarily for production and commercial sale of industrial produces.

2.12 The term rural industries\(^{49}\) includes enterprises and artisan units which could be classified as small, tiny, village and house-hold units involved in manufacturing, processing (including processing of agro-based products), preserving, storing or marketing of goods and those engaged in services which could be considered capable of generating employment opportunities to the rural work force without a major shift in their habit.

2.13 The term 'Rural Industry' connotes three things viz location, size and type of industry and activity.

The locations of rural industry should be be rural/village area. The definitions of rural area which excludes urban areas as provided by population census of India is accepted for this

\(^{49}\) A Policy Package for Rural Industrialisation. Op Cit; p. 19.
purpose. However, we may adopt cluster approaches to rural areas. That is, instead of considering only one village, we may include few, say 4 or 5 surrounding villages for rural industrialization programme.

The scale of operation of rural industry has to remain small, since the process of rural industrialization has to involve rural people both as labourers and entrepreneurs. The object is to establish such small scale industries in rural areas which use local available raw material, have a backward linkage with agriculture and also are suitable for local human resources. Much emphasis should be on development of rural areas. However, may also provide employment opportunity as labour to the local persons. The investment in building plant and machinery and working capital shall be limited to those applicable to "tiny scale industries".

Under the purview of rural industries, artisan and household based activities should be included. The objective of including artisans is to protect and promote traditional handicrafts of India. However these artisan and household based industries should produce such new type of products which are capable of finding a market. These artisan based industries should make use modern type of tools and equipments.

In a nutshell, the rural industry shall mean to include tiny scale, artisan and household industries situated in rural India. This definition will give flexibility of operation to financial institution like K.S.F.C.
INDUSTRIAL POLICIES AND RURAL INDUSTRIES

2.14 The development of rural industries has been receiving due attention and support of the Government of India in the various industrial policies and also in five year plans. The following are the main objectives of the Government in formulating various policies and plans.

1) to rectify the regional imbalance through equitable dispersal of economic benefits.
2) to provide work to rural labour force nearer to their place of living.
3) to check migration of rural people to urban areas
4) to make use of local available resources both men and material to a maximum extent.
5) to create employment opportunities on a massive scale at a relatively lower cost.
6) to raise the standard of living of rural poor and bring them above the poverty line.

INDUSTRIAL POLICY RESOLUTION 1948

2.15 This resolution passed on 6th April 1948 stated, "Cottage and village industries have a very important role in the national economy, altering they do, scope for individual, village or co-operative enterprise. These industries are particularly suited for better utilization of local resources and for the achievement of the local self sufficiency in respect of certain types of essential consumer goods."

The policy also stated the steps to be taken for the
promotion of these industries. It added "the healthy expansion of cottage and small scale industries depends upon a number of factors like the provision of raw materials, cheap power, technical advice, organized marketing of their produce, and where necessary safe guards against intensive composition by large scale manufactures."  

INDUSTRIAL POLICY RESOLUTION 1956:
2.16 In this policy resolution Government's concern towards rural industries was reiterated. It stated that while source basic and heavy industries would be set up, at the same time the Government would stress the role of cottage and village and small industries in the development of national economy. It was felt that in relation to some of the problems that need urgent solution, village and small industries offered some distinct advantages including immediate large scale employment, more equitable distribution of the national income, effective mobilization of resource of capital and skill which might otherwise remain unutilized. It further stated that some of the problems that unplanned urbanization tends to create would be avoided by the establishment of small centres of industrial production all over the country.

To sum up the main objectives of this policy were:

i) to provide large scale employment

ii) equitable distribution of the national income

iii) to restrict unplanned urbanization, by establishing small centres of industrial units all over the country.

The policy also laid stress on the establishment of industrial estates and rural community workshops to make good the lack of suitable working accommodations and inadequacy of facilities for repair and maintenance.

INDUSTRIAL POLICY RESOLUTION OF 1977

2.17 The Industrial policy of 1977, which was presented to the parliament on 23rd December 1977, attempted to give a new thrust to rural industrial activity. It stated that "the thrust would be on effective promotion of cottage and small industries widely dispersed in rural areas and small towns. The Government announced that whatever can be produced by small and cottage industries must only be so produced. For this purpose the Government enhanced the number of products reserved for this sector from 180 to over 500.

The other important policy statements were:

i) creation of another sector called the 'tiny sector'. A unit with a capital investment up to Rs. 1,00,000 and situated in a town of 50,000 or less population was brought under this category.

ii) establishment of District Industries Centre (DIC) at the
district level, to provide all assistance under one roof to small scale and cottage industries.52

In several respects, this industrial policy seemed to be deliberate and emphatic towards the promotions of industrial activity in villages. It clearly emphasized the need for improved tools, machines, proper training and organizational support to their marketing. It has even planned to build a nation wide grid to support the village and small industries and the rural marketing and service centers were to be the base points for the grid53

INDUSTRIAL POLICY RESOLUTION 1980

2.18 According to this policy, "the Government expressed determination to promote such a form of industrialization in the country as can generate economic viability in the villages..... handlooms, handicrafts, Khadi and other village industries will receive greater attention to achieve a faster rate of growth in the villages.54


The main objectives of the policy:

1) Higher employment generation.

2) Correction of regional imbalances through a preferential development of industrially backward areas.

3) Strengthening of the agricultural base by according a preferential treatment to agro-based industries.

To secure a balanced and harmonious development of all sectors of industries, the policy further proposed to promote the concept of economic federalism with the setting up of a few nucleus plants in each district, identified as industrially backward, to generate as many ancillaries and small and cottage units as possible.

INDUSTRIAL POLICY RESOLUTION 1991

2.19 The Government announced its Industrial Policy on 24th July 1991.55 The important policy regarding rural industries was giving appropriate incentives and design of investments in infrastructure development pursued for promoting dispersal of industry particularly to rural and backward areas to reduce congestion in the cities.

In continuation of the Industrial Policy of July 24th 1991, the Government of India announced policy measures for

promoting and strengthening small, tiny and village enterprises on August 6, 1991. The important policy announcements were:

1) Tiny Sector

The investment limits in plant and machinery of Tiny industries was increased to Rs. 5 lakhs, irrespective of location of the unit.

2) Handloom Sector

Handloom sector contributes about 30% of the total textile production in India. The Government reiterated its policy to promote handlooms to sustain employment in rural areas and to improve quality of life of handloom weavers. It also proposed for product development, upgradation of technology, improvement of marketing facilities and introduction of several welfare schemes. A new scheme called 'omnibus project package' scheme was introduced to provide funds for modernization of looms, training, provision of better designs, provision of better dyes and chemicals and marketing assistance.

3) Handicraft Sector

The policy would be not only to preserve the traditional richness of the crafts but also to engage the hereditary skills of crafts persons to suit modern requirements. The policy laid emphasis on extension of services like supply of raw materials, design and technical guidance, market support, training procuring of related materials/inputs in an integrated and area based manner through the setting up of craft development centers in identified cluster of villages. The policy also proposed marketing support through exhibition, publicity etc.
4) Other Village Industries

As regards the other village industries the following important policies were announced:

a) While the plan allocation for rural industries would be augmented, effective steps would also be taken to ensure better flow of credit from the financial institutions.

b) Greater emphasis on improving the quality and marketability of the products paripassu with consumer preferences instead of merely depending on rebates and subsidies.

c) The traditional village industries would be given greater thrust.

d) Agro-processing and food processing industries in Khadi and Village Industries sector using appropriate technologies would be promoted with a view to utilize locally available agricultural produce and promote employment/resource generation in the country side.

From the analysis of Government's Industrial Policies it is clear that the Government has given lot of importance to rural industries since these industries provide large scale employment, helps dispersal of industries to rural areas, avoids urbanization etc.

RURAL INDUSTRIALISATION AND FIVE YEAR PLANS

2.20 The objective of the promotion of rural industries as laid down in various industrial policy resolutions was given a practical shape in the five year plans.
2.21 The First Five Year Plan (1951-56) states: "If village industries are to be developed, it is necessary to deal with the deficiencies which have led to their decline. These relate to: (a) Organisation (b) State policy (c) Finance (d) Raw materials (e) Research (f) Technical guidance (g) Supply of equipment and (h) Marketing. The First Plan had assigned a very crucial place to the promotion of cottage and village industries in its development strategy. Rural industries were considered to be complementary to agriculture. During this plan the following boards were established for the development of village and cottage industries.

The Boards were:

1) All India Handloom Board
2) All India Handicrafts Board
3) All India Khadi and Village Industries Board
4) Small Scale Industries Board
5) Central Silk Board
6) Central Coir Board

Thus the plan provided organizational support to the development of village and small industries. The Government also reserved certain spheres of production exclusively for the

village and small industries sector and also arrangements were made for preferential supply of raw materials to the decentralized industries.

Much importance was attached to make available adequate finance for the development of village industries. The plan expenditure for village industries was Rs. 36.80 crores and that for village and small scale industries was Rs.42 crores. (Table 2.2).

Though the First Plan provided necessary policy and infrastructural support for rural industrial development, the progress was not much, due to the fact that the primary importance was attached to the development of agriculture, irrigation, power and transport. However a modest beginning was made towards the development of village industries during the first five year plan.

THE SECOND FIVE YEAR PLAN (1956-61)

2.22 During the Second Five Year Plan the following three important aims were kept in view viz:

i) to avoid as far as possible, further technological unemployment such as occurs specially in the traditional village industries.

ii) to provide for as large a measure of increased employment as possible through different village and small industries and

iii) to provide the basis for the structure of an essentially decentralized society and also for progressive economic
development at a fairly rapid rate.\textsuperscript{57}

The second plan also stressed the need for the expansion of village and small industries cooperatives at different levels to the maximum extent possible, so as to supply raw materials, offer technical advice, arrange for credit, and to provide better marketing facilities.

During the plan, Khadi and Village Industries Commission (KVIC) and State Khadi and Village Industries Boards in almost all the states were established. The theme for rural industrialization was spelt out clearly for the first time during this plan.

During the Second plan, a sum of Rs. 187 crores was provided for the development of village and small scale industries, out of which village industries accounted for Rs. 131 crores (Table 2.2).

By 1956, the network of All India Boards to deal with the problems of the handloom, handicrafts, sericulture, coir and khadi and village industries took shape. The plan also gave tremendous weightage to infrastructure development and provision of subsidies.

2.23 During this plan, the policies contained in the industrial policy resolution of 1956 were followed. The main objectives of the plan were:

1) To increase labour productivity

2) To make available institutional finance, sales rebates and sheltered market.

3) To encourage the spread of small industry in rural areas and small towns

4) To organize artisans and craftsmen on cooperative lines

5) To make small industries progressively ancillaries to the large industry.58

To achieve above objectives, Government took appropriate policy decisions. For improving the skill and productivity a scheme was drawn up to set up "Cluster type" institutions serving a group of villages for providing courses in certain allied trade in some selected areas. Emphasis was laid on the programme of introduction of improved tools and equipment. Besides this ITI's were also set up.

For the purpose of providing credit facilities substantial provision was made for loans under state Aid to Industries Acts

for the grant of loans to KVIC. A portion of the funds, to be disbursed under these Acts, should be earmarked for artisans in rural areas.

To promote industrialisation in rural areas and small towns the provision of basic facilities such as electricity, larger supply of agricultural raw material, training facilities, credit, technical advise and tools and machine in an integrated manner were made available in the backward/less developed areas.

A centrally sponsored scheme for rural industries projects was taken up in 1962-63. To start with, 45 areas were selected in the state and union territories each covering 3 to 5 development blocks with a population of 300-500 thousand; for intensive development of small industries in rural areas. Later on 4 more areas, near large scale projects of Durgapur, Bhilai, Bhadravati and Ranchi were added in 1965.

Out of the total plan outlay of Rs. 8577 crores a sum of Rs. 127.94 crores was earmarked for village industries during the Third Plan (Table 2.2)

THE FOURTH FIVE YEAR PLAN (1969-74)

2.24 The main objectives of the Fourth Plan were

1) improvement in production techniques so as to bring them at viable level.

2) decentralization and dispersal of industries, and

3) development of agro-based industries.
In order to achieve these objectives the plan document states "it would be necessary to improve skills and provide a combination of incentives and disincentives for securing decentralization and dispersal of small industries".\textsuperscript{59} The plan proposed measures such as liberal credit facilities, adequate supply of scarce raw material provision of technical assistance and improved appliances, tax concessions and differential excise duty.

For the improvement in production techniques in the traditional sector certain programs such as allotment of power looms, introduction of cottage basin in place of traditional 'charka' in sericulture, and continued research programs into better method of dyeing, bleaching, finishing etc., were undertaken.

To decentralize and disperse the industries, the programs of rural industrial estates was emphasized and it was decided to discourage setting up of such estates in the vicinity of cities and large towns and to encourage setting up of such estates in small towns and promising rural and backward areas. The rural industries projects were allowed to continue.

In the Fourth Plan, there was a significant change in the

basic approach towards the development of Khadi and village industries. The Ashoka Mehata Committee60 1968 critically reviewed the programs of KVIC. The main objectives set before KVIC were:

i) social objective of providing employment
ii) economic objective of producing quality goods and
iii) the wider objective of creating self-reliance among the people and building up a strong community spirit.

The committee stressed production of quality goods at reduced cost. The emphasis was on improving the productivity of the equipment and machinery on the one hand and capacity to earn a better living by the artisans on the other. The committee also recommended that the present Khadi and Village Industries Commission should be reorganized and transformed into a 'Rural Industries Commission'.

The government provided a sum of Rs 146.81 crores during this plan for the development of village industries as against the total plan outlay of Rs. 15779 crores. The total outlay for village and small scale industries was Rs. 243 crores in this plan. (Table 2.2)

THE FIFTH FIVE YEAR PLAN (1974-79)

2.25 The Fifth Five Year Plan document states "the principal objectives of the programs for the development of different

60. Ibid P. 241.
small industries .... are to facilitate the attainment of some of the major tasks for the removal of poverty and inequality in consumption standards of artisan dependent on traditional industries through the creation of large scale opportunities for fuller and additional productive employment and improvement of their skills so as to improve their level of earnings. 61

The strategy proposed to be adopted in formulating and implementing the development programs for rural industries to be taken up were as follows:

To generate opportunities for fuller and full time employment by:

a) revitalizing and developing the existing traditional and other small scale industries.
b) promoting intensive development of new, viable and small industries
c) to raise the level of earning of rural artisans, handloom weavers, craftsmen and other employed in these industries
d) to promote the growth of these industries in rural areas and
e) to reduce progressively the role of subsidies by providing these selectively for credit and development skills.

The fifth plan provided substantially higher outlays for the development programs in cottage and small industries especially handloom, carpet weaving etc. The fifth plan's main plank had been providing more employment opportunities and therefore development of small scale and cottage industries were preferred.

To promote the village and small scale industries several measures such as improvement of production technology, promotion of entrepreneurship, providing a package of consultancy service were adopted. The Government established Districts Industries Centres (DIC's) during this plan, to coordinate the promotional activities of different agencies working in the development of small scale and cottage industries. Further the plan broadened the Rural Industries Project programme spatially to cover all the districts in the country.

THE SIXTH FIVE YEAR PLAN (1980-85)

According to the Sixth Plan, Promotion of village and small scale industries will continue to be an important element in the national development strategy particularly because of its favourable capital output ratio and huge employment

During the Sixth Plan Period the programs for the village and small scale industries sector were so designed as to subserve the following objectives.

1) creation of additional employment opportunities on a dispersed and decentralized basis
2) upgrading technologies and skills and bringing out improvement in the levels of production
3) fuller utilization of existing capacities
4) offering incentives to and providing training for developing entrepreneurial skills.
5) Enhanced efforts in export promotion

The Government initiated suitable measures to implement the objectives. They were

a) the policy of reservation and government purchase was continued and enlarged
b) concessions were extended to units being set up in backward areas
c) priority to be given to the "No Industry District" and the "Special Regions"
d) to ensure adequate flow of bank finance to the village and Small Industries Sector. This was recognized as a priority sector.

e) the National Bank for Agriculture and Rural Development (NABARD) was set up to provide refinance facilities against loans and advances to artisans, small-scale industries including village and cottage industries and the industrial units in tiny/decentralized sector.

f) to provide technical input to the rural industries, A council for Advancement of Rural Technology (CAPART) was established.

The Khadi and Village Industries commission was made responsible to cover beneficiaries at the rate of 50 families per block per year under Integrated Rural Development Programme.

Thus the sixth plan observes that a rapid and widespread development of small industries including cottage and household is one of the major objectives of the plan as a part of the primary goals of reducing unemployment and underemployment.

The plan allocation for village and small scale industries was Rs. 1945 crores, of which Rs. 1328.90 crores was for village industries (Table 2.2).

THE SEVENTH FIVE YEAR PLAN (1985-90)

2.27 During the Seventh Plan, it was stated "within the overall objectives of food, work and productivity, the village and small scale industries sector would contribute towards improving the economic and occupational profile of the rural, semi-urban and weaker sections of the community, regional dispersal and structural diversification of industries through
its continued growth with special attention to upgradation of technology and improvement of skill for quality improvement. 64

The central objective of Seventh Plan was employment generation and the removal of poverty. To achieve this it has given tremendous emphasis on rural non-farm activity within the comprehensively drawn Integrated Rural Development Programme (IRDP). Two separate components are being implemented to give fillip to the rural industries. These are National Scheme for Training of Rural Youth for Self Employment (TRYSEM) and Industries Service and Business (ISB). The TRYSEM took care of every element of support to be extended to the target beneficiaries. It offered a package of measures covering the development of vocational and entrepreneurial skills, guidance in project formulation and counselling, provision of bank finance, institutional support and assistance in functions such as procurement of raw materials and marketing of end products.

The plan envisaged discouraging the setting up of industries in or around urban agglomerations and package of incentives were provided to attract industries in backward regions.

The plan outlay for village and small scale industries

sector was Rs. 2,754 crores during the seventh plan of which Rs. 1,633.49 crores was village industries (Table 2.2).

THE EIGHTH FIVE YEAR PLAN (1992-97)

2.28 One of the areas of priority of the Eighth Plan is generation of adequate employment to achieve near full employment level by the turn of the century.65

The Eighth Plan directional document66 in its section on employment made the important statement. "the pattern of industrialization and choice of techniques where possible without sacrificing productivity have to be such as to increase the possibility of labour absorption in manufactures and other sectors".

The total plan outlay was of the order of Rs 4,34,100 crores of which Rs. 6,334 crores was provided for village and small scale industries sector.

The 43rd round of National Sample Survey has revealed the following facts:


i) 20% of rural work force are engaged in non-agricultural activities.

ii) 34% in manufacturing

iii) 24% in services

iv) 18% in trade and

v) 15% in construction

This means that an increasingly large part of rural industries are in the modern, non-traditional areas with backward and forward linkages with agriculture. This is sound because as the Eight Plan document states that "in the long run ... agriculture and other land based system activities even with reasonably and high rate and possible diversification of growth will not be able to provide employment to all the workers at adequate basic income". In fact technological changes in agriculture are leading to decline in employment growth and conversion of the agriculturally underemployed into the openly unemployed.

The World Bank too supports this position and states "growth in industrial employment has to be a key priority for future poverty reduction in India, as agricultural growth will be insufficient to absorb all potential entrants into the rural labour market" 67

Rural Industrialization has become a part and parcel of rural development in the Eighth Plan.

On the basis of scale and primary functions, the industries can be categorized into four in the rural areas during the Eight Plan. They are:

1) Traditional and Village Industries
2) Heavy Industries
3) Medium Industries and
4) Light Industries.

The first category includes industries like khadi, leather tanning, wood works, artisan industrious, cotton cloth (both handloom and power loom), silk, handicraft coir, sericulture and wool development. These need further development and expansion. There is also need of modernization and improvement of techniques.

The second category, which is relatively new, which can be developed in rural areas for which there is a growing demand and scope. These industries include fertilizer, pesticides, mini steel plants and ancillary engineering industries that can meet the demand of farm sector.

The third category include mini cement plants, minor paper plants etc., can also be set up in rural areas.

68. Dr. Choudhary C.M.: Rural Industrialization during the Eight Plan, Kurukshetra Vol XLIII No. 12, September 1995, p. 16.
The fourth category of rural industries that should be developed during the plan include animal feed and fodder industries, the growing building and constructions programme, industrial activities related with the implements and machinery used in the agriculture sector.

Table 2.1

VILLAGE AND SMALL INDUSTRIES EIGHTH FIVE YEAR PLAN (1992-97) - INDICATIVE TARGETS

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<td>Million mt</td>
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<td>Khadi cloth</td>
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<td>Crore Rs</td>
<td>2,150</td>
<td>3,780</td>
<td>3,540</td>
<td>4.625</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Handloom cloth</td>
<td>Million mt</td>
<td>5,000</td>
<td>1,000</td>
<td>106</td>
<td>117</td>
<td>450</td>
<td>1,000</td>
</tr>
<tr>
<td>Handicrafts</td>
<td>Crore Rs</td>
<td>4,064</td>
<td>5,590</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sericulture Raw Tones</td>
<td>13,535</td>
<td>21,400</td>
<td>54.50</td>
<td>65</td>
<td>600</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Handicrafts</td>
<td>Crore Rs</td>
<td>996</td>
<td>1,590</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Coir Fibre Lakh Ton</td>
<td>2.20</td>
<td>2.77</td>
<td>5.46</td>
<td>5.80</td>
<td>66.16</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Coir Fibre</td>
<td>Crore Rs</td>
<td>168</td>
<td>212</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total VSI</strong></td>
<td>Crore Rs</td>
<td>1,95,294</td>
<td>2.94,775</td>
<td>443.22</td>
<td>553.74</td>
<td>22,989.18</td>
<td>50,215</td>
</tr>
</tbody>
</table>

Source: Government of India: Planning Commissions Eight Plan Document Table 6.3 Page 151
TABLE 2.2
PUBLIC SECTOR INVESTMENT IN VILLAGE AND SMALL INDUSTRIES
UNDER DIFFERENT PLANS (Rs. IN CRORES)

<table>
<thead>
<tr>
<th>PLAN</th>
<th>PERIOD</th>
<th>TOTAL OUTLAY OF ALL HEADS</th>
<th>VILLAGE IND.</th>
<th>SMALL IND.</th>
<th>VSI VILLAGE IND. AS A % OF TOTAL OUTLAY</th>
<th>VSI AS A % OF TOTAL OUTLAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>1951-56</td>
<td>1,960</td>
<td>36.80</td>
<td>5.20</td>
<td>42</td>
<td>1.87</td>
</tr>
<tr>
<td>Second</td>
<td>1956-61</td>
<td>4,672</td>
<td>131.00</td>
<td>56.00</td>
<td>187</td>
<td>2.80</td>
</tr>
<tr>
<td>Third</td>
<td>1961-66</td>
<td>8,577</td>
<td>127.94</td>
<td>113.06</td>
<td>241</td>
<td>1.49</td>
</tr>
<tr>
<td>Annual</td>
<td>1966-69</td>
<td>6,625</td>
<td>72.52</td>
<td>53.48</td>
<td>126</td>
<td>1.09</td>
</tr>
<tr>
<td>Fourth</td>
<td>1969-74</td>
<td>15,779</td>
<td>146.81</td>
<td>96.19</td>
<td>243</td>
<td>0.93</td>
</tr>
<tr>
<td>Fifth</td>
<td>1974-79</td>
<td>39,426</td>
<td>371.26</td>
<td>221.74</td>
<td>593</td>
<td>0.94</td>
</tr>
<tr>
<td>Annual</td>
<td>1979-80</td>
<td>12,177</td>
<td>151.19</td>
<td>104.81</td>
<td>256</td>
<td>1.24</td>
</tr>
<tr>
<td>Sixth</td>
<td>1980-85</td>
<td>1,09,292</td>
<td>1,328.90</td>
<td>616.10</td>
<td>1,945</td>
<td>1.21</td>
</tr>
<tr>
<td>Seventh</td>
<td>1985-90</td>
<td>1,80,000</td>
<td>1,633.49</td>
<td>1,120.51</td>
<td>2,754</td>
<td>0.90</td>
</tr>
</tbody>
</table>

Note: For 1985-90 outlay is given, for earlier periods actual expenditure is given.

Source: (1) Table 4.3 of the Seventh Plan documents Vol II p. 104.

2.29 It is clear from table 2.2 that, in the First Plan, the total outlay on village and small industries sector was Rs. 42 crores, increased to Rs. 2754 crores in the Seventh Plan. During the same period the plan outlay for village industries
rose from Rs. 36.80 crores to Rs. 1633.49 crores. During this period the percentage of village and small industries sector in the total plan outlay ranged between 1.5% to 4%. The percentage share of village industries sector in the total plan outlay ranged between 0.93% to 2.8% during this period.

This signifies the Government policy of attaching more importance to the village industries in the plan allocations.

STATUS OF RURAL INDUSTRIES

2.30 According to the Annual Survey of Industries 1989-90, the number of rural industries which stood at 29,835 in 1989-90, accounted for 27.6% of the total industrial units of the organized sector. Employment in rural industries constituted 26.4% of the total industrial work force. Further the rural industrial sector contributed 28% and 26% of the total industrial gross output and value added. Table 2.3 shows the level of the industrial development in rural areas:

<table>
<thead>
<tr>
<th>Details</th>
<th>Unit</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Units</td>
<td>Number</td>
<td>29,835</td>
<td>78,157</td>
<td>1,07,992</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(27.6%)</td>
<td>(72.4%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>Fixed capital</td>
<td>Crore Rs</td>
<td>28,490</td>
<td>78,438</td>
<td>1,06,928</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(26.6%)</td>
<td>(73.4%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>Employees</td>
<td>Thousands</td>
<td>2,150</td>
<td>5,990</td>
<td>8,140</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(26.4%)</td>
<td>(73.6%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>Output</td>
<td>Crore Rs</td>
<td>64,547</td>
<td>1,66,112</td>
<td>2,30,659</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(28.0%)</td>
<td>(72.0%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>Net value added</td>
<td>Crore Rs</td>
<td>11,278</td>
<td>32,095</td>
<td>43,373</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(26.0%)</td>
<td>(74.0%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>Value added per employee</td>
<td>Rs</td>
<td>52,481</td>
<td>53,554</td>
<td>5,32,464</td>
</tr>
</tbody>
</table>

2.31 The foregoing analysis of rural industrialization in various plans broadly points out that the entire focus was to provide various incentives and facilities to the rural entrepreneurs and to overcome some of the problems specific to industry in rural areas. The Government besides taking policy decisions, has also taken adequate measures towards the development of these industries. The Government through its plan outlays has also made available funds for the rural industries.

In addition to the plans Government had taken up few specific programmers for the development of rural industries. In what follows is an analysis of such programmers.

RURAL INDUSTRIES PROJECTS

2.32 The decision to start the Rural Industries Projects (RIPS) as a centrally sponsored scheme was taken in pursuance of the recommendations of high level Rural Industries Planning Commission in 1962. Accordingly 45 project areas were selected during 1962-63. In 1965 4 more project areas were selected around large-scale projects of Durgapur, Bhilai, Bhadravati and Ranchi. Each Area covered 3-4 Talukas and had a population of 30,000-40,000. The main objectives were:

1) to enlarge employment opportunities in rural areas,
2) to diversify the rural occupations,
3) to reduce migration to urban areas.
4) to raise income and standard of living in rural community.

The main contents of RIP included identification and motivation of prospective entrepreneurs, guiding them in selecting suitable products and appropriate technology and helping them to get credit facilities, raw materials, skilled labour etc. For this purpose, in each project, a Project Organization, comprising a Project Officer, assisted by suitable personnel in technical, economic and extension discipline, had been evolved by the Government. The 100% funds were made available by central Government. The Government also provided loan assistance to these RIP's.

The progress of RIP's up to March 1970 was reviewed by the Rural Industries Planning Committee and felt that 'since the programme proved itself to be an effective instrument in providing employment opportunities in rural areas and additions to production, the scheme should be further extended.' Accordingly it was decided to:

i) extend the area of operation of the existing 49 projects to the entire district and also cover scheme for training and common service facilities

ii) to take up new districts under the programme. In this way 112 projects were undertaken up to 1978.

The evaluation of RIP's programme in 1982 had revealed that: "there were deviations in the implementation of this programme. Some part of the assistance was provided to relatively larger amongst small scale units. Again, assistance was diverted to towns which were excluded from the purview of the scheme, rural artisans did not receive adequate credit, training and marketing".\textsuperscript{71}

With the introduction of District Industries Centre scheme in 1978, the RIP was merged with it.

\textbf{DISTRICT INDUSTRIES CENTRES (DIC's)}

2.33 DIC'S launched on 1st May 1978, represent a novel approach for setting an integrated administrative framework at the district level. The main objectives were:

1) industrialization of the district in a systematic and planned manner.

2) to provide all facilities to the small and rural entrepreneurs under single roof.

3) to co-ordinate the activities of various agencies connected with the promotion of village and small scale industries.

The functions of DIC's include:

a) identification of entrepreneurs
b) preparation of suitable schemes and feasibility reports
c) arrangement of machinery and equipment
d) supply of scarce raw material, finance and training facilities
e) research, extension service and marketing of finished product.

Thus the scheme of DIC'S is well conceived for the industrial development in the county.

DISTRICT-RURAL INDUSTRIES PROJECT (DRIP)

2.34 The basic objects of District Rural Industries Project (DRIP) is to augment the income of the poor by creating interpersonal opportunities. In the first phase, five districts would be selected. The novel aspect of this project is to establish industrial eatables in rural areas. The schemes involves providing credit facilities to the rural enterprises from banks. The DRIP scheme concentrates on setting up of commercially viable units in non farm sectors and to improve and strengthen skills of rural artisans.

The National Bank for Agriculture and Rural Development (NABARD) and small Industries Development Bank of India (SIDBI) would provide research and development support to the scheme.

The scheme would provide living cum workshed to rural artisans in the proposed industrial estates. The scheme would also cover women enterprises.
The first DRI project was launched on 21st October 1994 at Barai near Gwalior, M.P.

INTEGRATED INFRASTRUCTURAL DEVELOPMENT SCHEME (IID)

2.35 The Government of India, in order to promote and strengthen small, tiny and village enterprises has prepared the scheme of Integrated Infrastructural Development IID) (including technological back up services)

A) The objectives of the scheme are:
   i) To set up about 50 IID centres in backward districts rural areas in the country excluding those districts covered under the growth centre scheme.
   ii) To promote clusters of small scale and tiny units with a view to create employment opportunities and develop exports.
   iii) To promote stronger linkages between agriculture and industry.
   iv) To provide common service facilities and technological backup services in the selected centres.
   v) Creation/up-gradation of infrastructural facilities like power, water, communication etc in the new/existing centres/industrial areas.

B) Criteria for selection of IID centres

   The criteria for selection of the IID centres are:

   a) The selection of centres should be preceded by a comprehensive industrial potential survey of the area. Potentiality for small and tiny industrial be clearly
established with organic linkages between agriculture and industries

b) The location of the centres should be close to district/block/taluka headquarters or any other developing centres with access to basic facilities like railway, road, water supply power, tele communication. The locations should not create any ecological imbalance by disturbing the environment. The workers in the centre should not be made to travel for more than 8-10 kilometers from their dwelling places and the cost of the development of the land should be least.

C) Financing Pattern

The IID scheme is a central sector scheme and included in the Eighth Plan. The total cost of 50 proposed IID centres is estimated at Rs. 250 crores consisting of Rs. 100 crores as grant by central Government and the balance of Rs. 150 crore as loan from Small Industries Development Bank of India (SIDBI). The cost not exceeding Rs. 5 crores will be borne by Central Government and SIDBI in 2:3 ratio and excess if any will be borne by concerned state/union territory. The scheme will be implemented by concerned state/U.T. through an appropriate agency having good track record. Upon the request from concerned state/U.T., SIDBI will undertake techno-economic appraisal and the proposal will be sent to Central Government for formal approval.
In the IID centres SC/SI and women entrepreneurs will be encouraged.

KHADI AND VILLAGE INDUSTRIES COMMISSION (KVIC)

2.36 The KVIC is engaged in the development of Khadi and village industries in rural areas. KVIC was established by an Act of Parliament in 1956. There were 26 village industries besides Khadi under its purview till 1987. The Act was amended in July 1987 to widen its scope of activities and as a consequence 70 new village industries were brought under its purview.

The functions of the KVIC are generally to plan, promote and assist in the implementation of programs for the development of Khadi and village industries. To achieve these objectives it undertakes:

a) Training of persons employed or desirous of seeking employment in Khadi and village industries.
b) Procurement and distribution of raw materials
c) Research and development in Khadi and village industries sector through its own in-house facilities and also through reputed organizations.
d) Financing of eligible institutions
e) Promoting of sales and marketing of Khadi and village industries products etc.

The village industries under the purview of KVIC have been classified into following seven broad groups:

1) Mineral based industry
2) Forest based industry
3) Agro based and food industry
4) Polymer and chemical based industry
5) Engineering and non-conventional energy
6) Textile industry (Excluding Khadi) and
7) Service industry

KVIC operates through state level Khadi Boards, registered institutions and co-operative societies.

In 1955-56 there were only 2 state KVI Boards, 242 registered institutions and 60 co-operatives. The number has increased to 30 state KVI Boards, over 3000 registered institutions, 29813 co-operatives, 5.5 lakh individuals, 126 departmental units and 14,330 sale outlets operating in about 2.1 lakh villages in the country. Production which was Rs. 16.47 crores (Khadi Rs. 5.54 and village industries Rs. 10.93 crores) in 1955-56 has increased to Rs. 2876.95 crores (Khadi Rs. 353.50 crores and village industries Rs. 2523.45 crores) in 1992-93. Similarly the employment level has increased from 9.64 lakh persons (Khadi 6.57 lakh and village industries 3.07 lakhs) to 52.50 lakh persons (Khadi 14.45 lakhs and village industries 38.05 lakhs) during the above period (Table 2.4).
### TABLE 2.4

**PROGRESS OF KHADI AND VILLAGE INDUSTRIES (1955-56 TO 1992-93)**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>1955-56</th>
<th>1992-93</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Organisations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) State Boards</td>
<td>2</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>(b) Institutions</td>
<td>242</td>
<td>3,000</td>
</tr>
<tr>
<td></td>
<td>(c) Co-operatives</td>
<td>60</td>
<td>29,813</td>
</tr>
<tr>
<td></td>
<td>(d) Individuals (In lakhs)</td>
<td>NA</td>
<td>5.5</td>
</tr>
<tr>
<td>2</td>
<td>Production (Crore Rs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Khadi</td>
<td>5.54</td>
<td>353.50</td>
</tr>
<tr>
<td></td>
<td>(b) Village Industries</td>
<td>10.93</td>
<td>2,523.45</td>
</tr>
<tr>
<td>3</td>
<td>Employment (Lakh persons)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Khadi</td>
<td>6.57</td>
<td>14.45</td>
</tr>
<tr>
<td></td>
<td>(b) Village Industries</td>
<td>3.07</td>
<td>38.05</td>
</tr>
</tbody>
</table>


### PROGRESS OF VILLAGE INDUSTRIES UNDER DIFFERENT PLANS

2.37 Since inception of planning in India in 1951 the village industries sector has recorded a spectacular progress in production, sales and employment. This is evident from the table 2.5.
TABLE 2.5

PROGRESS OF VILLAGE INDUSTRIES UNDER DIFFERENT PLANS

<table>
<thead>
<tr>
<th>Plan</th>
<th>Production (Crore Rs)</th>
<th>Sales (Crore Rs)</th>
<th>Employment (Lakh persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Plan (1955-56)</td>
<td>10.93</td>
<td>0.90</td>
<td>3.07</td>
</tr>
<tr>
<td>II Plan (1960-61)</td>
<td>33.16</td>
<td>28.36</td>
<td>6.81</td>
</tr>
<tr>
<td>III Plan (1965-66)</td>
<td>55.87</td>
<td>49.73</td>
<td>8.76</td>
</tr>
<tr>
<td>Ann. Plan (1968-69)</td>
<td>75.12</td>
<td>63.98</td>
<td>7.72</td>
</tr>
<tr>
<td>IV Plan (1973-74)</td>
<td>122.40</td>
<td>115.64</td>
<td>9.28</td>
</tr>
<tr>
<td>V Plan (1977-78)</td>
<td>192.54</td>
<td>190.29</td>
<td>14.94</td>
</tr>
<tr>
<td>VI Plan (1984-85)</td>
<td>807.06</td>
<td>880.46</td>
<td>24.84</td>
</tr>
<tr>
<td>VII Plan (1989-90)</td>
<td>1,705.29</td>
<td>1,895.47</td>
<td>32.14</td>
</tr>
<tr>
<td>Ann. Plan (1990-91)</td>
<td>1,994.07</td>
<td>2,228.96</td>
<td>34.42</td>
</tr>
<tr>
<td>Ann. Plan (1991-92)</td>
<td>2,264.16</td>
<td>2,526.36</td>
<td>35.96</td>
</tr>
<tr>
<td>VIII Plan (1992-93)</td>
<td>2,523.45</td>
<td>2,810.12</td>
<td>30.05</td>
</tr>
</tbody>
</table>

Source: Ibid, p. 36.

From the table 2.5 it is clear that the production of village industries sector which was Rs. 10.93 crores at the end of First Plan rose to Rs. 1,705.29 crores at the end of the seventh plan and to Rs. 2,523.45 crores at the end of 1992-93 an increase of nearly 230 times.

On the employment front, the village industries sector absorbed 3.07 lakh persons at the end of the First Plan which shot up to 32.14 lakh at the end of seventh plan and to 30.05 lakh at the end of 1992-93.
The sales of village industries sector which was Rs. 0.90 crores at the end of the First Plan increased to Rs. 1895.47 crores at the end of Seventh Plan and to Rs. 2810.12 crores at the end of 1992-93.

Thus on the whole, the analysis indicates that there has been a remarkable progress in the village industries sector since inception of economic planning in India.

REPORTS OF THE COMMITTEES

2.38 The Government had formulated its policies and programmes for the development of rural industries based on the report of committees appointed for this purpose. In the foregoing pages we have discussed the reports of Khusro Committee (credit facilities for village and small industries sector) and Ashok Mehta Committee (KVIC). In what follows is a discussion on report of Karve, Sivaraman and Nayak committees.

KARVE COMMITTEE

2.39 The planning commissions on 28th June 1955 had appointed the village and small scale industries (Second Five Year Plan) committee under the chairmanship of D.G. Karve.

The committee recommended:

i) avoidance of further technological unemployment in traditional village industries

ii) creation of greater employment opportunities through different village and small industries
In the view of the committee\(^{73}\) the progressive expansion and moderisation of rural industries could be most economically brought about by the spread of small industries units along with necessary service, in big villages and small towns located all over the country.

The Second Five Year Plan was formulated mainly based on the recommendation of Karve Committee. The village and small industries got a boost in the second plan due to the various recommendation of the committee.

**SIVARAMAN COMMITTEE**

2.40 The planning Commission had set up a National Committee on the Development of Backward Areas on 30th November 1978 (Chairman B. Sivaraman). The committee in turn had set up a working group to deliberate on various aspects of village and cottage industries.

The committee observed that the important infrastructural supports, the village and cottage industries require are:

- a) Adequate supply of raw materials;
- b) Marketing support;
- c) Training;
- d) Supply of improved tools, equipment etc;

e) Appropriate research and development in introducing improved and new technologies where necessary and

f) Credit

The committee noted that "though Commercial Banks and Regional Rural Banks have tried to finance artisans for their capital and production finance, particularly the latter, the present coverage is negligible ..... Banks find it difficult to deal with so many small accounts..." 74

NAYAK COMMITTEE

2.41 The Reserve Bank of India had constituted on 9th December 1991, a committee under the chairmanship of P.R. Nayak. The important terms of reference of the committee were:

(i) to examine the adequacy of institutional credit for the SSI sector

(ii) to examine the adequacy of institutional credit for term finance to the SSI sector.

The observation of the committee were75


75. Reserve Bank of India: Report of the committee to examine the adequacy of institutional credit to the SSI sector and related aspects, Bombay, 1992, p. 23 and 25.
In spite of the increased flow of credit, the share of tiny sector and village industries has been dismally low.

The village industries receive substantially lower credit support from the institutional agencies, as compared to tiny enterprises and the larger SSI units.

The financial needs of the village industries segment of the SSI sector are met from private sources, including indigenous money lenders. Many of such activities also depend on a system of master craftsmen/master weavers who essentially perform the role of middlemen-traders and command better access to institutional credit on account of their superior credit worthiness in the eyes of the credit institutions.

The Committee had suggested that the village industries and the smaller tiny industries with credit limits up to Rs. 1 lakh should have the first claim on the priority sector credit to the SSI.

2.42 It is clear from the observations of Sivaraman and Nayak Committee, that though there is an increase in the flow of credit from bank, the share of tiny and village industries sector is very negligible. The Nayak Committee has also observed that the credit needs of rural artisans is met by money lenders. This view has also been confirmed by a regional seminar on strategies and policies for Employment Expansion through Rural Industrialization in Asia organized by the ILO’s Asian Regional Team for Employment Promotion (ARTEP), at New
Delhi, India from 24-26 September 1986. The seminar noted that "Since credit does not easily reach, the rural sector, rural industries are often starved of credit".  

In this context, the present study intends to make a diagnostic study of the K.S.F.C in Karnataka.

RURAL INDUSTRIALIZATION IN KARNATAKA

2.43 Karnataka, earlier known as Mysore state was the first among the states in India to take steps to promote rural industries. The tenure of M. Visvesvarayya as Dewan of Mysore (1913-18) was marked by rapid industrial development in the Mysore. A systematic approach was made for setting up modern industries and also for rural industrialization through co-operation. With a view to encouraging artisans to sell their products, an annual industrial exhibition was introduced by the then Dewans of Mysore. The silk saries, incense sticks, wooden dolls, bidri items and sandalwood carvings are few village/cottage industries known for their artistic values.

VILLAGE INDUSTRIALIZATION SCHEME:

Sir M. Visvesvarayya formulated a scheme for industrializing the rural areas in 1945 which was implemented by the then Mysore Government in the year 1950-51. The main objectives of the scheme were


77. Proceedings of Mysore Representative Assembly, 1890, p. 25
a) to impress upon the people in rural areas the importance of increasing their capacity and skill in gainful occupations

b) to teach them the value of self help and self sufficiency

c) to organize a net work of Rural Industrial Financing co-operatives and to train people in thrift and business habits

d) to organize industrial craft co-operatives for artisans

e) to give technical advice to people in starting fresh enterprises and to make each village group unit a self administering and self improving community so far as its economic activities are concerned.

f) to increase production and income from industries in every group unit area into which the scheme was introduced.

The scheme was confined to rural areas. The first step to be undertaken is to group villages together so that the area and population of each group may form a convenient working unit. For example, a group may consist of an average of ten villages of population of about 15,000. The second step was to form a committee of minimum of seven members in each village group, elected from amongst village population. This committee would be responsible for the industrial progress of the group of villages included in the unit. The funds required for activities was to be collected from the well-to-do or rich families in each village. A convenient centrally situated village to be chosen for the headquarters of the unit.
This scheme was introduced in the year 1950-51 in Bangalore and Kolar Districts and in 1952-53 in Mandya Districts and was extended in 1953-54 to remaining districts of Mysore state. In the beginning 401 village group units were formed. By the end of 1957-58, the Rural Industrial Cooperative societies (for each group unit) remitted a sum of Rs. 2.45 lakhs to the Rural Industrial Financing Bank (bank organized as an adjunct to the scheme) as surplus after retaining amounts for maintenance of staff. The work of the scheme was operated in close co-operation with several All-India Boards. The scheme was ultimately merged with the village and small industries sector development programme of the Government of India at the end of Second Plan.78

FIVE YEAR PLANS AND RURAL INDUSTRIALIZATION IN KARNATAKA

2.44 In the First Five Year Plan (1951-56) of the state, an outlay of Rs. 206 lakhs79 was provided for the promotion of industries out of which Rs. 109.19 lakhs80 were earmarked for the development of village and small industries. The Rural Industrial Scheme of M. Visveswaraya got a further impetus in 1950. A Co-operative bank was started to provide financial

80. Ibid p. 833.
assistance to artisans and village industrialists.

The Second Plan of the Karnataka State (1956-61) aimed at correcting regional imbalances in industrial development. A sum of Rs. 680 lakhs\textsuperscript{81} was provided for the promotion of village and small industries. During the plan a number of state level industries promotion bodies were set up for promotion of small, and village industries and handicrafts. The boards were:

i) Mysore Small Scale Industries Corporation Ltd

ii) Mysore Small Scale Industries and Handicrafts Board

iii) Mysore State Silk Handloom Weaver Central Cooperative Society

iv) Mysore State Cotton and Woollen Handloom Weaver's Co-op Society and


The Third Plan provided an outlay of Rs. 775 lakhs\textsuperscript{82} for the village and small industries. Training of artisans was taken up on an extensive scale and measures were initiated not only to promote industrial co-operatives but also to increase the finance of these co-operatives for lending to the artisan and small industries. Efforts were also made to promote markets for the products of artisans and small industries.

The three annual plans of the state covered the period of

\textsuperscript{81} Third Five Year Plan, Vol I Government of Mysore. P. 249

\textsuperscript{82} Ibid p. 268.
1966-67, 1967-68 and 1968-69. In the 1966-67 annual plan a sum of Rs. 70 lakhs were provided for the promotion of village and small industries. In the 1967-68 annual plan Rs. 25 lakhs were provided for village and small industries. In the annual plan of 1968-69 an outlay of Rs. 90 lakhs\(^3\) was provided for the promotion of village and small industries.

The Fourth Five Year Plan (1969-74) of the state had an outlay of Rs. 825 lakhs\(^4\) for the promotion of village and small industries. To improve the skills and production techniques of artisans in rural areas, common facility centres, carpentry and smithy centres were established.

One of the objectives of the states Fifth Plan was to create an enlarged more diversified and decentralized industrial base in the state\(^5\) The outlay for the development of village and small industries was Rs. 21.5 crores.\(^6\) During the plan Leather Industries Development Corporation was established with a view to promote leather industry. The handicraft activities started earlier continued in this plan also.

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83. Fourth Five Year Plan, Government of Mysore, Table III, p. 71.

84. Ibid, p. 276.


86. Ibid, p. 424.
The state's Sixth Plan had the following objectives for the development of village industries.

a) creation of more employment opportunities for about 80 lakh persons

b) rectification of the imbalances in industrialization in the state and
c) development of agro-based and other cottage and small industries

Rs. 2,600 lakhs were provided for the development of village and small industries.\(^87\)

The Seventh Plan (1985-90) envisaged a more positive role for the government in promoting and protecting village and small scale industries through strengthening of the programs for providing work sheds, technology improvement, assured and timely supply of various inputs and a robust marketing infrastructure. A sum of Rs. 247 crores was provided for industry (including large, medium small and village industries).

The main objective of state's Eighth Plan (1992-97) was to remove regional imbalances and adopt a policy of balanced development of different regions of the state. The other objective is employment generation. The states plan

\(^{87}\) Karnataka Draft Sixth Five Year Plan, Government of Karnataka, p. 323.
expenditure on industry and mineral was Rs. 155 crores in 1992-93. The total outlay for Industry and mineral for the plan period amount to Rs. 984 crores.

During the Five Year Plan, Government also supported rural industrialization by constructing Industrial Estates in rural areas. During the Third Plan 17 estates in rural areas were constructed and the Government also decided to locate two estates in each district, one was to be in interior place of the district. During the Sixth Plan the Government received resources under the Dutch assistance scheme for building shed especially in the rural areas. The Seventh Plan envisaged the construction of 5625 worksheds and living cum worksheds under the World Bank Project, particularly in rural areas. The Indo-Dutch project for developing rural small and tiny enterprises through Industrial Estate, started in 1989, was introduced in the District of Mysore, Dharwad, Gulbarga and Bijapur.88

INDUSTRIAL POLICIES AND RURAL INDUSTRIES IN KARNATAKA

2.45 The Government of Karnataka followed the industrial policies implemented by Government of India. Karnataka, however, for the first time, in the history of India, had its own industrial policy in 1983.

INDUSTRIAL POLICY 1983

2.46 The main objectives of the 1983 industrial policy of the state were:

1) development of cottage and village industries in the state
2) development of the skill based craftsmen and also improvement in the sectors of handloom, handicrafts and leather industries.
3) removal of regional imbalances to achieve the integrated development of regions and dispersal of industries.

INDUSTRIAL POLICY 1990

2.47 The policy for the development of rural industries in the 1990 Industrial Policy were:

a) highest priority for employment generation through industrialization and industrial activities having large potential for employment generation.

b) to give boost to the Artisan and KVI Sector, which serve the objective of Rural Industrializations, all products manufactured in the KVI sector were exempted from payment of Sales Tax.

c) dispersal of industries to the backward areas.


The Government tuned its package of incentives and concessions with the following objectives.

i) A special thrust for industries in the KVI sector as also artisan based industries which serve the twin objectives of employment generation and rural industrialisation.

ii) Dispersal of industries to backward areas.

iii) Special incentives to entrepreneurs belonging to SC/ST, Women, physically handicapped, ex-servicemen and minority community.

INDUSTRIAL POLICY 1993

2.48 The Government of Karnataka adopted the following polices for rural industrialization in its policy dated 12-7-9391

1) In order to attract entrepreneurs and develop backward areas most of the talukas in Karnataka were identified as "Developing Areas" and made eligible for incentives and concessions.

2) To set up exclusive Industrial Estate for Sc/St

3) At the Taluka Level, Extension Officer (Industries) of the Industries Department to act as an Escort Service Officer for new industries units and closely liaise with General Manager, DIC.

4) In order to give a boost to the Artisan and KVI sector which would also serve the objective of rural

industrialisation, all products manufactured in KVI sector were exempted from payment of Sales Tax.

INDUSTRIAL POLICY RESOLUTION 1996

2.49 The main objectives of the 1996 Industrial Policy are as follows

A) Human Resources and Entrepreneurship Development:
   To develop skills among the local youth the following measures are proposed.
   a) Youths in weaker sections of the society could be trained appropriately to undertake income generating activities in non-traditional areas.
   b) An exclusive guidance cell will be set up in all offices of the D.I.C. to motivate woman entrepreneurs to take up self employment schemes in non traditional areas.
   c) Sector specific/location specific industrial potential surveys will be undertaken to facilitate rural entrepreneurs to take up self employment schemes.
   d) To help rural youths of the farming community to take up self employment schemes, special training programs would be formulated.

B) Mini Growth Centres

In addition to the Growth Centres at Dharwad, Hassan and Raichur, Government will take up mini growth centers at Gadag,
Nippani, Bijapur, Kolar, Chitradurga, Chikamaglur, Bellary and other potential locations.

C) Marketing Assistance:
   Marketing of products has been recognized as the nearest link for Tiny/SSI sector, particularly in rural areas. The following measures would be undertaken for this purpose.

i) Visvesvarayya Industrial Trade Centre will develop a strong data base to provide trade and export related information.

ii) DSMS will market products at the district level through showrooms.

iii) Government will assist NGO'S/Self Help agencies/Cooperatives which facilitate marketing of tiny/small scale industries products in rural areas.

Incentives and concessions for rural areas:
The following incentives and concessions are available for the tiny/SSI units

1) Investment Subsidy:

I) Developed Areas (Bangalore North and South Talukas and Bangalore Urban Areas) - Nil-

II) Developing Area (i.e. all 173 Talukas of the state except Bangalore south and north talukas) will get subsidy of 25% of value of fixed assets (ceiling Rs. 25 lakhs)

III) Growth centres: (all growth centres i.e. 3 major and mini centres) will get subsidy of 30% of value of fixed assess (ceiling Rs. 30 lakhs)
An additional investment subsidy of 5% of the value of fixed assets (ceiling Rs. 1 lakh) to the special categories of entrepreneurs viz SC/ST/Minority Community (as specified by state Govt) Women/Physically handicapped/Ex-service/Units employing more than 50% of skilled women workers on a permanent basis for a period of more than 3 years (minimum employment 20)

2) All Khadi and village industries unit will be exempted from payment of central sales tax and Karnataka sales tax.

3) Living Cum-work sheds constructed by Government sponsored agencies will be made available for rural artisan with suitable subsidy.

4) All tiny and SSI unit located anywhere in the state except in developed areas will be eligible for exemption of stamp duty and reduction of registration charges to Rs. one per thousand in respect of loans and credit deeds executed for availing financial assistance from Banks/KSFC etc.

From the foregoing, it is clear that the rural industries are provided with all the necessary facilities for their development under the aegis of Five Year Plans by the Government of Karnataka and the Government has been pursuing a progressive industrial policy for the promotion of rural industries.

PROGRESS OF VILLAGE AND SMALL INDUSTRIES

2.50 There were 8,000 Khadi and village Industries during 1983-84, with a total investment of Rs. 22.50 crores and these
units provided employment to 1.15 lakh persons. At the end of 1988-89, the number of units under Khadi and village industries had increased to 30,000 with an investment of Rs. 46.77 crores. The total employment provided stood at 4.12 lakh persons.

The budgetary expenditure of Karnataka and its neighboring states on village and small industries for the period from 1992-93 to 1994-95 is given in Table 2.6

<table>
<thead>
<tr>
<th>Name of the State</th>
<th>Expenditure VSI 1992-93</th>
<th>93-94</th>
<th>94-95</th>
<th>Growth rate between 92-93 &amp; 94-95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>52.17</td>
<td>85.32</td>
<td>84.44</td>
<td>0.61</td>
</tr>
<tr>
<td>Goa</td>
<td>4.04</td>
<td>5.92</td>
<td>4.93</td>
<td>0.22</td>
</tr>
<tr>
<td>Kerala</td>
<td>48.68</td>
<td>55.78</td>
<td>57.22</td>
<td>0.17</td>
</tr>
<tr>
<td>Maharastra</td>
<td>28.57</td>
<td>33.49</td>
<td>27.60</td>
<td>0.03</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>149.19</td>
<td>144.89</td>
<td>147.80</td>
<td>0.01</td>
</tr>
<tr>
<td>Karnataka</td>
<td>117.28</td>
<td>145.53</td>
<td>242.21</td>
<td>1.06</td>
</tr>
<tr>
<td>All India</td>
<td>866.08</td>
<td>1004.31</td>
<td>1131.63</td>
<td>0.31</td>
</tr>
<tr>
<td>National average</td>
<td>34.64</td>
<td>40.17</td>
<td>45.26</td>
<td></td>
</tr>
</tbody>
</table>


From table 2.6 it is clear that during the period the expenditure of all the states except Goa and Maharastra was above national average. Further the expenditure on VSI sector amongst southern states was more in Tamil Nadu in 1992-93,
whereas the expenditure was more in Karnataka in 1993-94 and 1994-95.

The rate of growth of expenditure which shows the rate of money spent on village and small industries sector between 1992-93 to 1994-95 was 0.31 for All India. However Karnataka registered a tremendous growth rate of 1.06. Among the other southern states Andhra Pradesh and Goa showed a higher growth rate and the least was in Tamil Nadu at 0.01.

RURAL ARTISANS IN KARNATAKA

2.51 The Directorate of Economics and Statistics Government of Karnataka, had conducted a Rural Artisan Survey in 1994. The survey covered all the districts of the state and in all 32 crafts like carpentry, coir, Gold and Silver Smith etc., were surveyed. The detailed names of 32 different crafts, numbers of household engaged in these crafts, total number of artisan workers, total number of hired and household workers, percentage of hired artisan workers to total, SC and ST households with percentage in the total household and also the name of the District where the craft is concentrated with total number of house holds are shown in Table 2.7(a) and 2.7(b).

From Table 2.7(a) and 2.7(b) it is clear that there are in all 245159 household engaged in the 32 different crafts. The total number of artisan workers engaged in these crafts are 715141 of which 1,62,057 are hired artisan workers and 5,53,084 household artisan workers. Thus only 22.66 percentage are hired artisan workers which shows that the crafts are dominated
by rural artisan household workers. The total number of scheduled caste and scheduled tribe household are 47,783 and 8928 respectively forming 19.49% and 3.64% of the total number of households.

The 32 crafts are spread over in 13 districts of the state. The crafts of Bidri and Ivory are concentrated wholly in Bidar and Mysore Districts respectively. In Belgaum the highest number of crafts are concentrated. The 7 crafts concentrated in this district are Tailoring, Rattan, Leather Stitching, Blacksmithy, Glass Beads, Broom Sticks and Laundry. Next to Belgaum, Chitraduraga has 5 craft in its fold. These are coir, coir fibers, mat weaving, wool weaving and carts making. In Mysore and Dharwad Districts 4 crafts each, Dakshina Kannada 3 crafts, Kolar 2 and the Districts of Raichur, Bijapur, Bidar, Chikamagalur, Bangalore (Rural), Bellary and Gulbarga 1 craft each are concentrated (table 2.7(b)).

The largest number of households of 64,402 (i.e. 26% of total no. of household) are found in tailoring craft and the least of 30 in Glass Beads. The other crafts, where the number of house holds are more are, cotton weaving (31293 households), coir (15610 households) and Laundry (14,121 households) (table 2.7(a)).

The Silk Reeling and Silk Twisting craft employs 1,25,269 artisan workers which forms 17.51% of total artisan workers. Next in importance are tailoring (1,20,960) and cotton weaving.
Thus these three crafts together employ 3,51,127 artisan workers. The tin making activity employs only 198, which is the least among all the 32 crafts (Table 2.7(a)).

In all 1,62,057 hired artisan workers are employed in these 32 crafts. Again silk reeling and silk twisting craft employs more number of hired labourers. The total hired workers in silk activity are 99,840, that is nearly 61.60% of total hired workers are employed in this crafts alone. The percentage share of hired artisan workers to total workers is highest in silk reeling and silk twisting craft which is nearly 80%. Thus this craft is more employment oriented in terms of hired artisan workers. The wool and druggets activity employs any 0.13% of hired workers which is least among all crafts (table 2.7(a)).

In all 1,01,080 household workers are employed in tailoring activity, which is highest among all the crafts. Cotton weaving employs 96,506 household workers and coir activity employs 45,741 household workers. These three put together employ 2,43,327 household workers which forms nearly 44% of total household workers.

There are in all 47,783 scheduled caste household and 8,928 scheduled tribe household working in these crafts. In percentage terms 19.49% scheduled caste and 3.64% scheduled tribe households are found in these crafts. The SC's households are not found in crafts of Dyeing and Printing, Ivory, Wool Weaving, Carts making, Tin making and Hosiery.
Similarly S.T. house holds are not working in the crafts of goldsmithy and silver smithy, dyeing and Toys making and wood carving, Carts making and tin making (table 2.7(b).

In all 12,144 scheduled caste households are found in coir, 9,964 in tailoring, 5,960 in leather stitching. These three crafts together hold nearly 59% share of total scheduled caste households. The scheduled tribe house holds are found in more number in tailoring (1958 house holds) and Burnt lime (860 house hold) (table 2.7(b)).

From the foregoing it is clear that the various crafts have provided employment opportunities to a large number of artisan workers in the state.

Table 2.7(a)

<table>
<thead>
<tr>
<th>Craft</th>
<th>No. of households</th>
<th>Total Artisan workers</th>
<th>% hired to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carpentry</td>
<td>13,637</td>
<td>23,094</td>
<td>16.67</td>
</tr>
<tr>
<td>Coir</td>
<td>15,610</td>
<td>46,314</td>
<td>1.24</td>
</tr>
<tr>
<td>Goldsmithy &amp; Silver smithy</td>
<td>3,196</td>
<td>4,822</td>
<td>4.00</td>
</tr>
<tr>
<td>Pottery</td>
<td>11,681</td>
<td>31,033</td>
<td>17.94</td>
</tr>
<tr>
<td>Tailoring</td>
<td>64,402</td>
<td>1,20,960</td>
<td>16.44</td>
</tr>
<tr>
<td>Rattan</td>
<td>2,235</td>
<td>5,517</td>
<td>0.33</td>
</tr>
<tr>
<td>Leather stitching</td>
<td>6,007</td>
<td>11,667</td>
<td>9.54</td>
</tr>
<tr>
<td>Dyeing and printing</td>
<td>448</td>
<td>1,569</td>
<td>53.54</td>
</tr>
<tr>
<td>Sheet metal</td>
<td>601</td>
<td>1,744</td>
<td>29.30</td>
</tr>
</tbody>
</table>
## Table 2.7(a) Contd.

<table>
<thead>
<tr>
<th>Craft</th>
<th>No. of households</th>
<th>Artisan workers Total</th>
<th>Artisan workers Hired</th>
<th>% hired Household</th>
<th>% hired to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ivory</td>
<td>259</td>
<td>853</td>
<td>207</td>
<td>646</td>
<td>24.27</td>
</tr>
<tr>
<td>Wool &amp; Druggets</td>
<td>3,392</td>
<td>8,516</td>
<td>11</td>
<td>8,505</td>
<td>0.13</td>
</tr>
<tr>
<td>Black smithy</td>
<td>7,625</td>
<td>17,738</td>
<td>2,027</td>
<td>15,711</td>
<td>11.43</td>
</tr>
<tr>
<td>Cotton weaving</td>
<td>31,293</td>
<td>1,04,898</td>
<td>8,392</td>
<td>96,506</td>
<td>8.00</td>
</tr>
<tr>
<td>Coir fibres</td>
<td>1,402</td>
<td>4,485</td>
<td>29</td>
<td>4,456</td>
<td>0.65</td>
</tr>
<tr>
<td>Mat weaving</td>
<td>3,601</td>
<td>8,720</td>
<td>402</td>
<td>8,318</td>
<td>4.61</td>
</tr>
<tr>
<td>Glass beads</td>
<td>30</td>
<td>439</td>
<td>324</td>
<td>115</td>
<td>73.80</td>
</tr>
<tr>
<td>Wool weaving</td>
<td>9,867</td>
<td>30,544</td>
<td>1,986</td>
<td>28,558</td>
<td>6.50</td>
</tr>
<tr>
<td>Bidriware</td>
<td>183</td>
<td>438</td>
<td>91</td>
<td>347</td>
<td>20.78</td>
</tr>
<tr>
<td>Cane and Bomboo</td>
<td>5,774</td>
<td>12,788</td>
<td>511</td>
<td>12,277</td>
<td>4.00</td>
</tr>
<tr>
<td>Bee keeping</td>
<td>2,969</td>
<td>6,689</td>
<td>22</td>
<td>6,667</td>
<td>0.33</td>
</tr>
<tr>
<td>Silk reeling &amp;</td>
<td>11,205</td>
<td>1,25,289</td>
<td>99,840</td>
<td>25,429</td>
<td>79.70</td>
</tr>
<tr>
<td>silk twisting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stone carving</td>
<td>1,879</td>
<td>4,523</td>
<td>1,676</td>
<td>2,847</td>
<td>37.06</td>
</tr>
<tr>
<td>Toys making &amp;</td>
<td>3,042</td>
<td>5,828</td>
<td>1,224</td>
<td>4,604</td>
<td>21.00</td>
</tr>
<tr>
<td>wood carving</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metal craft</td>
<td>554</td>
<td>1,060</td>
<td>327</td>
<td>733</td>
<td>30.85</td>
</tr>
<tr>
<td>Agarbatti</td>
<td>10,525</td>
<td>31,073</td>
<td>1,860</td>
<td>29,213</td>
<td>5.99</td>
</tr>
<tr>
<td>Burnt lime</td>
<td>4,710</td>
<td>18,327</td>
<td>6,118</td>
<td>12,209</td>
<td>33.38</td>
</tr>
<tr>
<td>Carts making</td>
<td>363</td>
<td>1,676</td>
<td>684</td>
<td>992</td>
<td>40.81</td>
</tr>
<tr>
<td>Knitting</td>
<td>2,408</td>
<td>4,506</td>
<td>116</td>
<td>4,390</td>
<td>2.57</td>
</tr>
<tr>
<td>Broom sticks</td>
<td>11,824</td>
<td>41,458</td>
<td>1,401</td>
<td>40,057</td>
<td>3.38</td>
</tr>
<tr>
<td>Laundry</td>
<td>14,121</td>
<td>37,188</td>
<td>1,333</td>
<td>35,855</td>
<td>3.58</td>
</tr>
<tr>
<td>Tin making</td>
<td>116</td>
<td>198</td>
<td>29</td>
<td>169</td>
<td>14.65</td>
</tr>
<tr>
<td>Hosiery</td>
<td>200</td>
<td>1,207</td>
<td>904</td>
<td>303</td>
<td>74.90</td>
</tr>
<tr>
<td>Total</td>
<td>2,45,159</td>
<td>7,15,141</td>
<td>1,62,057</td>
<td>5,53,084</td>
<td>22.66</td>
</tr>
</tbody>
</table>
### Table 2.7(b)

**RURAL ARTISANS IN KARNATAKA**

(1994)

<table>
<thead>
<tr>
<th>Craft</th>
<th>Households SC % to total</th>
<th>ST % to total</th>
<th>District where the craft is concentrated</th>
<th>Name</th>
<th>Total No. of households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carpentary</td>
<td>1,208</td>
<td>815</td>
<td>S. Kanara</td>
<td>2,879</td>
<td></td>
</tr>
<tr>
<td>Coir</td>
<td>12,144</td>
<td>279</td>
<td>Chitradurga</td>
<td>4,165</td>
<td></td>
</tr>
<tr>
<td>Gold &amp; silversmithy</td>
<td>16</td>
<td>00</td>
<td>Dharwad</td>
<td>544</td>
<td></td>
</tr>
<tr>
<td>Pottery</td>
<td>179</td>
<td>00</td>
<td>Dharwad</td>
<td>2,021</td>
<td></td>
</tr>
<tr>
<td>Tailoring</td>
<td>9,964</td>
<td>1,958</td>
<td>Belgaum</td>
<td>16,968</td>
<td></td>
</tr>
<tr>
<td>Rattan</td>
<td>1,037</td>
<td>644</td>
<td>Belgaum</td>
<td>910</td>
<td></td>
</tr>
<tr>
<td>Leather stitching</td>
<td>5,960</td>
<td>8</td>
<td>Belgaum</td>
<td>1,543</td>
<td></td>
</tr>
<tr>
<td>Dyeing and printing</td>
<td>00</td>
<td>00</td>
<td>Raichur</td>
<td>288</td>
<td></td>
</tr>
<tr>
<td>Sheet metal</td>
<td>6</td>
<td>15</td>
<td>Dharwad</td>
<td>154</td>
<td></td>
</tr>
<tr>
<td>Ivory</td>
<td>00</td>
<td>00</td>
<td>Mysore</td>
<td>259</td>
<td></td>
</tr>
<tr>
<td>Wool &amp; Druggets</td>
<td>103</td>
<td>127</td>
<td>Mysore</td>
<td>1,113</td>
<td></td>
</tr>
<tr>
<td>Black smithy</td>
<td>568</td>
<td>00</td>
<td>Belgaum</td>
<td>2,166</td>
<td></td>
</tr>
<tr>
<td>Cotton weaving</td>
<td>1,672</td>
<td>245</td>
<td>Bijapur</td>
<td>9,885</td>
<td></td>
</tr>
<tr>
<td>Coir fibres</td>
<td>1,310</td>
<td>00</td>
<td>Chitradurga</td>
<td>491</td>
<td></td>
</tr>
<tr>
<td>Mat weaving</td>
<td>1,717</td>
<td>47</td>
<td>Chitradurga</td>
<td>1,347</td>
<td></td>
</tr>
<tr>
<td>Glass beads</td>
<td>19</td>
<td>00</td>
<td>Belgaum</td>
<td>20</td>
<td></td>
</tr>
</tbody>
</table>
Table 2.7(b) Contd.

<table>
<thead>
<tr>
<th>Craft</th>
<th>SC</th>
<th>% to total</th>
<th>ST</th>
<th>% to total</th>
<th>District where the craft is concentrated</th>
<th>Name</th>
<th>Total No. of households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wool weaving</td>
<td>0</td>
<td>0.00</td>
<td>1,235</td>
<td>12.52</td>
<td>Chitradurga</td>
<td>4,330</td>
<td></td>
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<tr>
<td>Bidriware</td>
<td>18</td>
<td>9.84</td>
<td>0</td>
<td>0.00</td>
<td>Bidar</td>
<td>183</td>
<td></td>
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<tr>
<td>Cane &amp; Bomboo</td>
<td>3,558</td>
<td>61.62</td>
<td>822</td>
<td>14.24</td>
<td>Gulbarga</td>
<td>2,597</td>
<td></td>
</tr>
<tr>
<td>Bee keeping</td>
<td>352</td>
<td>11.86</td>
<td>202</td>
<td>6.80</td>
<td>Chikmagalur</td>
<td>1,630</td>
<td></td>
</tr>
<tr>
<td>Silk reeling &amp; twisting</td>
<td>1,491</td>
<td>13.31</td>
<td>94</td>
<td>0.84</td>
<td>Mysore</td>
<td>5,415</td>
<td></td>
</tr>
<tr>
<td>Stone carving</td>
<td>676</td>
<td>35.98</td>
<td>115</td>
<td>6.12</td>
<td>Kolar</td>
<td>1,374</td>
<td></td>
</tr>
<tr>
<td>Toys making &amp; wood carving</td>
<td>412</td>
<td>13.54</td>
<td>14</td>
<td>2.53</td>
<td>B'lore(R)</td>
<td>2,065</td>
<td></td>
</tr>
<tr>
<td>Metal craft</td>
<td>1</td>
<td>0.18</td>
<td>14</td>
<td>2.53</td>
<td>S. Kanara</td>
<td>187</td>
<td></td>
</tr>
<tr>
<td>Agarbatti</td>
<td>900</td>
<td>8.55</td>
<td>382</td>
<td>3.63</td>
<td>Kolar</td>
<td>6,300</td>
<td></td>
</tr>
<tr>
<td>Burnt lime</td>
<td>2,291</td>
<td>48.64</td>
<td>860</td>
<td>18.26</td>
<td>Dharwad</td>
<td>1,383</td>
<td></td>
</tr>
<tr>
<td>Carts making</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
<td>Chitradurga</td>
<td>129</td>
<td></td>
</tr>
<tr>
<td>Knitting</td>
<td>4</td>
<td>0.17</td>
<td>692</td>
<td>28.73</td>
<td>Mysore</td>
<td>1,016</td>
<td></td>
</tr>
<tr>
<td>Broom sticks</td>
<td>2,128</td>
<td>18.00</td>
<td>293</td>
<td>2.48</td>
<td>Belgaum</td>
<td>6,548</td>
<td></td>
</tr>
<tr>
<td>Laundry</td>
<td>49</td>
<td>0.35</td>
<td>75</td>
<td>0.53</td>
<td>Bellary</td>
<td>2,268</td>
<td></td>
</tr>
<tr>
<td>Tin making</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
<td>Belgaum</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Hosiery</td>
<td>0</td>
<td>0.00</td>
<td>6</td>
<td>3.00</td>
<td>S. Kanara</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>47,783</td>
<td>19.49</td>
<td>8,928</td>
<td>3.64</td>
<td></td>
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</table>

2.52 On 2nd October 1991, the Government of Karnataka had launched a programme known as 'VISHWA' which aims at rural micro-enterprise promotion and rural entrepreneurship development.

I) Objectives: The main objectives of the programme are:
   a) Providing continuous and productive employment to a large segment of population and mainly in rural areas.
   b) Providing a strong marketing support for the goods and services produced in the rural sector assuring quality of the products and reasonable returns to the producer.
   c) Enlargement of activities of employment promotions in sectors like Handloom, Coir, Silk, etc.
   d) Providing institutional support for training, procurement of raw material and finance to ensure that the activities result in generation of income of at least Rs. 700 to Rs. 800 p.m. for each beneficiaries.

II) Target Group: The programme is meant mainly for persons in the rural areas, in the age group of 18-35 with or without formal education and who are employed or under employed. However special consideration is given for women and SC/ST persons.

III) Activities: All activities which involve value addition

93. Government of Karnataka, G.O. No. CI 77 SSI 91 dated 17-9-91
and processing of the products can be taken up under the programme.

Under the Viswa scheme production and manufacturing activities in coir, leather, hand looms, handicrafts, sericulture (Post cocoon activity), milk processing, packaging of fruits and vegetables are treated as organized sector. These activities are supported by the various corporations and organizations of the Government.

All other categories not included above will fall under unorganized sector.

iv) Selection of villages, Activity and Beneficiaries

For the purpose of implementation of Vishwa programme, the district level committee on implementation of Vishwa (DLC-V) have been set up under the chairmanship of chief secretary ZP/Deputy Commissioner and General Manager DIC as member secretary. The other members of the committee are Lead Bank Manager, Branch Manager of K.S.F.C., Manager KVI (ZP), District officers of KVIB and KSIMC, Manager DSMS and District level officers of Agriculture, Horticulture, Animal husbandry, Forest, Fisheries and RDPR Department. The committee

i) Shall - arrange village - wise survey in the district on availability of raw material, trained man-power, market potential, infrastructure facilities like power, water, building, transport and communication.

ii) Shall - arrange for preparation of district potential report regarding the types of activities which can be
taken up in the district and their potential regarding marketing and employment.

iii) Shall prepare a list of villages and activities which can be taken up for the programme.

iv) Shall finalise the list of beneficiaries with the assistance of sub-committee comprising of representatives of DIC, KSFC, Lead Bank, KSSIDC and ZP.

v) Training

The training needs are being assessed by DLC-V. The training is to be provided with the help of existing institutions such as ITI's, Polytechnics, SISI, etc. under the existing schemes of Government such as TRYSEM, DWCRA, etc. In case special training needs are identified which are not covered under the existing schemes, DLC-V has to submit proposal for seeking funds under VISHWA.

vi) Supply of Raw material and marketing of products.

a) In case of organized sector the development corporation concerned is responsible for the supply of raw material for the project sanctioned. Further these corporations viz Handloom, Leather, Coir, Handicraft etc have to procure the finished products and market them through their sales network.

b) In case of unorganized sector, the DSMS is responsible for making arrangements for supply of raw material in the district for all activities with the help of various Government departments like, KSIMC and MSIL. The KSIMC at state level and DIMS at District level have to procure all finished goods and market the products.
In the first two years, the scheme provided mainly training to the beneficiaries. In 1991-92, in all 12,887 beneficiaries were trained and in 1992-93, 75,800 beneficiaries were trained.

The Karnataka state Financial corporation is also involved in the implementation of VISHWA programme. In the first year, that is, from October 1991 to 31st March 1992, KSFC assisted 1791 entrepreneurs in the rural areas of the state under the programme to the tune of Rs. 301.07 lakhs. The sectors covered include handloom handicraft, leather goods, woolen goods, silk reeling and others. The cumulative assistance as at the end of March 1996 stood at Rs. 2,335.03 lakhs to 16767 beneficiaries. The year wise assistance provided by K.S.F.C under Vishwa programme is given in Table 2.8.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Amount</th>
<th>Cumulative Number</th>
<th>Cumulative Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>1,791</td>
<td>301.07</td>
<td>1,791</td>
<td>301.07</td>
</tr>
<tr>
<td>1992-93</td>
<td>7,465</td>
<td>1,084.33</td>
<td>9,256</td>
<td>1,385.40</td>
</tr>
<tr>
<td>1993-94</td>
<td>3,503</td>
<td>406.28</td>
<td>12,759</td>
<td>1,791.68</td>
</tr>
<tr>
<td>1994-95</td>
<td>2,250</td>
<td>360.89</td>
<td>15,009</td>
<td>2,152.57</td>
</tr>
<tr>
<td>1995-96</td>
<td>1,758</td>
<td>182.46</td>
<td>16,767</td>
<td>2,335.03</td>
</tr>
</tbody>
</table>

RURAL INDUSTRIALIZATION PROGRAMME IN KARNATAKA

2.53 Government of Karnataka, and SIDBI have jointly started a new scheme known as Rural Industrialization Programme (RIP) in Karnataka. The main objective of the scheme is to promote rural industrialization in selected districts of the state. The scheme is aimed towards dispersal of micro enterprises to interior part of the district. These micro enterprises would be promoted on a scientific basis starting with identification of potential areas as well as potential industries. It also envisages identification and motivation of suitable entrepreneurs in these areas, providing necessary training for up gradation of the skills, arranging finance from banks and financial institutions. They would be guided in setting up and implementation of the project.

The scheme will be implemented through the Directorate of Industries and commerce in association with SIDBI. As per the Government order, the scheme would be implemented in the district of Bellary, Bijapur and Hassan. The implementation of the programme in these three districts has been assigned to TECSOK, AWAKE and NPC respectively. A committee comprising officers, from Department of Industries and Commerce, TECSOK and SIDBI will review and coordinate the implementation of the scheme.

It is expected that with this programme, the local entrepreneur base would be effectively used with appropriate guidance and banking. The scheme has just been launched with motivation camps in selected areas.