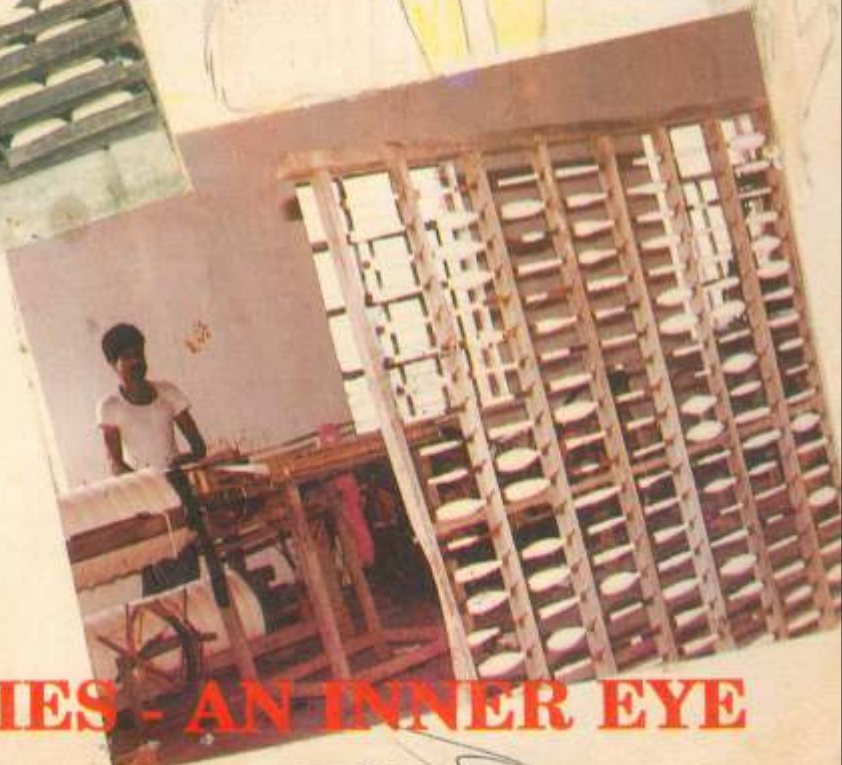
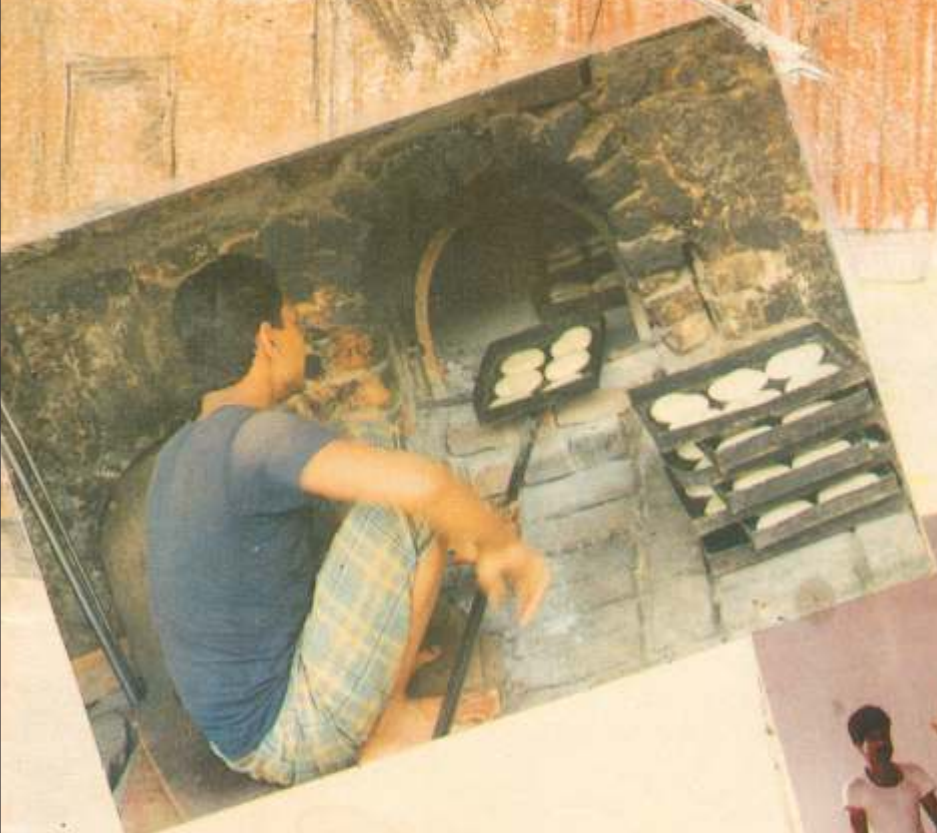


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**RURAL INDUSTRIES - AN INNER EYE**

# Advantages and structural weaknesses of rural industries in India

Sandeep Singh

**W**ith the advent of an industrial society, both the life and the self-supporting economy of the village was disturbed. A large chunk of the rural population dependent on their centuries-old traditional avocations was deprived of the source of their livelihood and the emerging society did not provide them alternative avocations in the rural area itself and were forced to become either landless labourers or to migrate to urban centres unwillingly in search of avocations to eke out a living.

Agro-based industries as well as other gainful employment to our vast population can ensure balanced, equitable growth. Market economy can operate equitably only when the entire population of a given society is able to participate in that market.

## Advantages of rural industries

Rural industries have an entirely different pattern of development. These industries employ very small amount of capital and employ more human labour. The following features of the rural industries highlight their role in the Indian economy:

**1. Capital light:** Rural industries employ very small amount of capital. The industries have the virtue of higher output generating capacity per unit of capital. In our country where capital is scarce, village industries appear to be most suitable.

**2. Employment potential:** Rural industries use labour-intensive techniques of production. These industries provide maximum employment per unit of capital invested. In a country where population is growing at a very fast rate and millions of people are unemployed, rural industries can offer large employment opportunities. Rural industries are of great significance in solving the problem of seasonal unemployment.

**3. Production of consumer goods:** Rural industries produce a large variety of consumer goods and thus help in maintaining regular and adequate supply of essential commodities. By augmenting the production of consumer goods the village and small-scale in-

dustries save the economy from the evil effects of inflation.

**4. Economic equality:** Rural industries are the glaring examples of decentralised industrial structures. By creating employment opportunities for the rural population, these industries help in raising the level of income and standard of living of the rural masses.

**5. Beneficial to agricultural labourers:** Rural industries provide spare time and whole time employment to the agricultural labour. These industries create employment opportunities for the unemployed and underemployed agricultural workers. Industries allied to agriculture provide additional income resource to the farmers and other people.

**6. Full use of localised materials:** Rural industries can make the best possible use of the unutilised or underutilised local resources. Shift of the process from the urban centres to the rural areas can also save a lot of transportation costs.

**7. Balanced regional development:** Rural industries do not show any tendency of concentration in a particular area. These industries are scattered all over the country. This helps in the balanced regional development of the country.

**8. Mobilisation of savings:** Savings in the rural areas remain idle in the absence of any productive activity. Rural savings are generally frittered away in unproductive consumption and unnecessary litigation. The growth of rural industries can offer investment opportunities to the people living in the rural areas.

**9. Economic uplift of the poor:** Rural industries help in improving the economic condition of the rural poor. They provide economic protection to the weaker sections of the rural community by offering them means in livelihood.

**10. Contribution to exports:** Artistic goods produced by the village artisans are very popular with the foreign buyers. Over the last few years, the contribution of handicrafts to the total export earnings has sharply risen and these goods now occupy pride of

place on India's export list and earn precious foreign exchange for the country.

**11. Complementary role:** Rural and small-scale industries produce components, spares, small parts, etc needed by the large-scale industries. Likewise, large-scale industries produce a variety of semi-finished and final goods which are used by the villages and small-scale industries.

### Structural weaknesses

Rural industries can play their rightful role only if they are run on sound and efficient lines. They lack modernisation and scientific approach thanks to their structural weaknesses as described below:

**1. Problem of finance:** The most important problem being faced by the rural industries is that of finance. The credit worthiness of the small borrowers is generally weak. Small producers have to depend upon the money-lenders who charge exorbitant interest. Even the institutional agencies are not of much help to the small borrowers. A large part of institutionalised credit is grabbed by rich and resourceful borrowers.

**2. Raw materials:** Rural industries have also to face the problem of non-availability of raw-materials. Not only the supply of essential raw-materials is scarce but they are available at very high prices and their quality is also poor. This increases the cost of production and this puts them in an adverse position vis-a-vis their rivals.

**3. Power shortage :** Though there is general shortage of power in the country, its impact is decidedly fatal on small enterprises. Power supply is not always available to small industries everywhere on the mere asking and wherever it is available, it is limited to a few hours in a day.

**4. Problems of marketing:** Most rural industries are forced to restrict their sales to the local markets. For want of adequate co-operative and other marketing facilities, the small producers are compelled to sell-off their goods to money-lenders, who do not pay fair price for their products. On account of limited sales, the small enterprises have to restrict their scale of operations and forgo economics of scale.

**5. Competition with large-scale industries:** The small-scale industries cannot withstand the competition offered by the large-scale industries. Large-scale industries have the advantages of economics of scale, use of modern techniques of production, quality control, advertising and publicity, etc. These advantages are not available to the small enterprises.

**6. Problem of technology:** Artisans in the rural industries still adhere to the traditional and outmoded techniques of production. They have no knowledge whatsoever about the latest technology. Sometimes the financial constraints do not allow rural industries to use sophisticated techniques of production. Backward technology does not raise the cost of production but it also fails in producing quality goods.

**7. Problem of skilled labour:** Rural industries had a glorious past. The skill of craftsmanship moved from one generation to another. However, with the changing times, there has not been any perceptible change in the mode of working, designing of products, colouring, packing, product-mix, etc by the rural artisans. Most rural artisans are illiterate, unskilled and untrained. They still adhere to the traditional and outmoded techniques of production. Very little effort has been made to impart technical education and training to the rural artisans.

**8. Lack of communication & information:** Information technology is the key element of modern marketing. In the absence of communication facilities in the villages, artisans do not get the realistic scenario of market prices, the taste, preference, domestic demand, export potential, etc.

**9. Transport bottlenecks:** Thanks to poor transport system, the artisans are forced to sell their product in the local markets or to the agents and brokers.

**10. Other problems:** Besides the above mentioned problems, the village and small-scale industries also face the problem of the payment of local and other taxes, problem of talented entrepreneurs, etc.

### Conclusion

The growth of rural industries helps in raising the standard of living of the rural population by providing them more income, consumer goods at cheaper rates and social-economic overheads. Rural industries also save us from the evil-effects of the concentration of industries such as pollution, over urbanisation, congestion, growth of slums, etc. In short, rural industries play an important role in the development of the Indian economy. In the words of Mahatama Gandhi:

"India must protect her primary industries even as a mother protects her children against the whole world without being hostile to it." □

● *The author is working with the Associated Chambers of Commerce and Industry of India, Allahabad Bank Building, Parliament Street, New Delhi-110001.*