

Role of Small Scale Industries in Rural Development: An Analysis

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ABSTRACT

This paper covers the generating massive employment, fostering self-reliance, reducing urban migration, promoting entrepreneurship, and ensuring balanced regional growth, leveraging local resources. Rural development strategy should bring about the modernization of rural society and help in eliminating the traditional isolation of rural areas by developing industrial base and by creating stable income-generating employment opportunities. The rural development strategy should also aim at raising growth rate and distributing the fruits of growth more fairly and creating an even-economic welfare to all rural people. This paper highlights the generating employment, contributing to GDP, promoting entrepreneurship, and supporting large-scale industries. This paper also focuses on supplementary and alternative income to farming households.

Keywords: entrepreneurship, employment, opportunities, development, economy and resources

INTRODUCTION

In a developing economy like India where socialistic pattern had been recognized in the development planning process, rural development assumes its own importance in the socio-economic development of the country. India is a country of villages and its socio-economic transformation always serves as an index of development of the country. The sooner our villages develop, more impressive shall be our achievements on the national level. Thus, rural development can be categorized as improving living standards of the masses of the low income population residing in rural areas making the process of rural development self-sustaining. The rural development strategy should also aim at raising growth rate and distributing the fruits of growth more fairly and creating an even-economic welfare to all rural people.

The small-scale enterprises play a vital role in the growth of the Indian economy. The small-scale enterprises can be grouped into three categories, viz., cottage industries, agro based industries and small-scale industries. The industrial Policy Resolution of 1956 favours the SSI on the basis of four points, viz., employment generation, equitable distribution of national income, use of latent resources and decentralization. Despite aiding foreign exchange generation and preservation of ancient and traditional skills, these SSIs face many problems like non-availability of credit and finance, marketing problems, difficulty in procuring raw- materials, transportation, communication, etc. To boost this sector, the Government announced Small-Sector Industrial Policy in 1991, and since then a number of steps have been taken to strengthen this sector in view of the evolving, liberalized and competitive economic environment. "In rural areas, the business operates towards different industries, which are agriculture, forest, and handloom industries. The people lived in different areas of rural India master in unique skills. Such as the rural people living in Kerala, they have professional skill in carving wood, the other rural people proficient in weaving carpet live in Kashmir, there are various skills from place to place is because of the factors of resources and traditions" (Anandaram, K; Dubhashi, Medha 1999: 108)

The development of rural areas has been a continuing process. Rural development is a complex phenomenon which includes both 'quantitative' as well as 'qualitative' aspects. Quantitative aspect of rural development can be analyzed as economic growth while the qualitative phase of development is directly linked with 'people prosperity. Both the phases of rural development-quantitative as well as qualitative-attract a special attention for the comprehensive development of rural areas. The broad sphere of rural development includes 'strategies, policies and programmes for the development of rural areas and promotion of activities carried out in such areas, like agriculture, forestry, fishing rural crafts and industries and also the building of the social and economic infrastructure, with the ultimate aim of achieving full utilization of avail-able

physical and human resources and thus ensuring higher income and better living conditions for the rural population as a whole'.

India, the small-scale enterprises play a vital role in the growth of the economy. The basis of distinction between the large-scale, medium-scale and small-scale industries is generally the size, capital resources and labour force of the individual units. Indian small-scale enterprises can be grouped into three different categories, viz., cottage industries, agro-based industries and small-scale industries. A cottage industry is one which is carried on wholly or primarily with the help of members of the family either as a full-time or a part-time occupation. A small-scale industry on the other hand, is one which is operated mainly with hired labour, usually 10 to 50 hands. Cottage industries and agro-based industries generate part-time as well as full-time occupations in the rural and semi-urban areas. The small-scale industries are further divided into two groups modern and intermediate.

The modern small-scale industries use modern techniques to produce modern products, and are located in large towns to take advantage of external production economies. Rural development mainly pin-points on the poverty aspect of rural masses by improving their living conditions through optimum utilization of their physical and human resources with the involvement of active participation of local people. To make rural development process self-sustaining, significant utilization of local resources and technical know-how with active participation foundation stone for the improvement of rural economy. Rural areas are having a twin-problem of unemployment and poverty which are practically cause and effect to each other. Unemployment is commonly considered as a major cause of poverty and due to combined action and reaction of these two related factors, vicious circle of poverty becomes operative in rural areas. So the strategy of rural development should be designed in such a way so as to open new and additional employment opportunities in rural areas. Rural development strategy should bring about the modernization of rural society and help in eliminating the traditional isolation of rural areas by developing industrial base and creating stable income-generating employment opportunities.

The intermediate small-scale industries use more or less traditional techniques to produce modern products. These industries are based on labour-intensive non-mechanized techniques. Cottage industries and agro-based industries work independently, while the small-scale industries are technically and economically dependent on the large-scale sector. "From 1970 to 1971 and offers 68% of rural employment. However, the agriculture sector shrunk to 16.1% of GDP in 2009 while the proportion of non-agricultural industry achieved 86% of the GDP" (Tiwari, Sanjay 2015: 12).

The factors related to rural development can be well tackled by promoting small industries in rural areas. Small industries have a crucial role to play in reducing the incidence of poverty and unemployment in a developing nation like India. This sector accelerates economic growth by making an optimum use of natural and human resources, in promoting balanced regional development, in reducing inequalities in the distribution of income and wealth in relieving the present excessive pressure on land and over-crowding in urban areas, in sustaining green revolution, development of local resources and promotion of exports.

Small scale industries have been a subject of controversy. Some oppose it while others favour it. The Industrial Policy Resolution (IPR) of 1956 puts forth various arguments in favour of SSIs. The IPR states, "They (SSIs) provide immediate large-scale employment; they offer a method of ensuring a more equitable distribution of the national income, and they facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized". The small-scale sector has prominently contributed in the socio-economic development of the country during the past 65 years or more. It has contributed to the overall growth of Gross Domestic Product (GDP) as well as in terms of employment and exports. It has been contributing significantly towards the economic growth of the nation. Its share in India's Industrial Production is about 40 per cent and contribution to exports is in the region of 33 percent.

Another argument in favour of these industries is that, they use the latent resources which otherwise would remain unutilized. They are able to tap latent resources like hoarded wealth, entrepreneurial ability, etc. Small and potent entrepreneurs can be encouraged to set up such units. Decentralization of industrial activity would promote industrial growth in the semi-urban and rural areas. It will help to tap local resources such as raw materials, idle savings, and local talents and also improve the standard of living in backward regions. Moreover, decentralization helps to solve the problems of congestion in few industrial towns by enlarging the area of employment. The small scale industries are at a distinct advantage as far as the mobilization of capital and entrepreneurial skill is concerned. The rapid development of small-scale industries in the post-Independence period is proof of the fact that given the necessary credit, power and technical knowledge, a large quantity of latent resources of the economy can be mobilized for purposes of industrial development.

The demand for indigenous products like handicrafts, handlooms and silk fabrics as well as coir products is immense in the foreign market. The establishment of such industries in the rural sector has helped the rural folk become self-reliant and

self-sustained. Apart from the traditional simple consumer goods, the small-scale sector now produces a wide variety of highly sophisticated goods ranging from computers and electronic gadgets to plastic goods, paper, textile, metal boxes, machine parts and components for large industries. Regional imbalances created by the large-scale industries have been checked by the establishment of SSIs. These industries help the Indian economy in terms of generating exports and thereby, earning foreign exchange. “The rural economy with slow growth pace has developed to a high-speed growth economy after the liberalization in economic and the improvement in the facilities. Between 1990 and 1991, the launch of new economic policies leads to a decline in the output of food grains and an increase in non-food crops such as cotton. The location of 61% of the total enterprises is in rural areas, as stated in the 2005 Economic Census Report” (Kashyap, Pradeep 2012:133).

The scarcity of finance and credit is the main obstacle in the development of small-scale units. The capital base of the small industrial units is usually very weak since these are generally founded on partnership or single ownership. Most of them face significant infrastructural problems. This confirms the well recognized concept that many productive activities are being constrained by inadequate physical infrastructure.

The most severe constraint is the availability of power. Transportation and communication problems are also major constraints. As far as transportation is concerned, the small firms depend either on railways or on roads. But railways are highly unreliable and users of rail transport face risks of loss, theft, irresponsible handling, etc. Machinery and other equipments in many small industries have grown obsolescent. On account of this, while their costs of production are high, the quality is inferior as compared to the large-scale units. The small-scale units often do not possess any marketing organization and consequently their products’ quality compares unfavourably with the quality of the products of the large-scale units. Most of the small-scale industry associations complain about the hardships, small entrepreneurs go through on account of delayed payments by large firms and government departments. “The downward trend of the share of the land, the limited job opportunities and production possibilities may lead to the livelihood under the line of poverty. Finding the sources or crops that can generate incomes and trying to satisfy the need of the consumers is needed to sustain their daily life. The sources or crops that can generate incomes and trying to satisfy the need of the consumers are needed to sustain their daily life” (Firdaus, G. (2012:10). The delays in payments from government departments against goods supplied to them under the government’s purchase programme, are on account of the cumbersome and complex procedures and rampant corruption in these departments.

After the liberalization of the Indian economy, the products of SSIs have had to face tough competition from the imported ones. To help the small-scale sector, the Government announced the small sector industrial policy on 6th August 1991. It aimed at providing SSIs access to the capital market and encouraging modernization and technical sophistication. The industrial policy allowed equity participation by other industrial undertakings in the SSIs. “After the period of the liberalization, the growth of the food grains stayed behind the increase in the population between 2000 and 2001 and the Total factor productivity show a decreasing trend from 1993” (Rajendra 2019:23).

It proposed to introduce factoring services through Small Industries Development Bank of India (SIDBI), so as to solve the problems of delayed payments to the sector. Marketing of the products was proposed to be undertaken through co-operatives and priority was given to this sector for the allocation of raw materials. To revitalize the SSI sector, the Government decided to improve their credit availability and introduce schemes to address the problems of collaterais and encourage technology up gradation. The excise exemption limit and investment limit have been enhanced. The Government has made policies to protect the products of small-scale industrial sector from unequal competition by the large-scale industrial sector. It has reserved a large number of items which can be produced exclusively in the small scale industries.

While the SSI sector was largely protected through tariff walls and reservation policy, with the lowering of tariffs the sector has been subjected to foreign competition by way of cheap imports. The ongoing process of economic reforms and the changes in the international economic scene including the emergence of the World Trade Organization (WTO), have thrown up several challenges as well as new opportunities for the SSI sector. In fact, under the policy of reservations and concessions, the SSI sector has neither been able to grow much nor create the desired impact on employment. India has the longest history of small enterprise development policy in Asia as well as in the world at large.

India has built up one of the world’s most elaborate small enterprise development programmes for providing assistance to individuals and institutions for setting up small scale enterprises, both in the urban and rural areas over the last six decades. In order to give more impetus to SSIs, a number of central and state-level institutions have been set up to look after different aspects of the development programmes. At the central level, the different organizations are Small Industries Development Organization (SIDO), National Small Industries Corporation (NSIC) and Small Industries Development Bank of India (SIDBI) while at the state level; the different organizations are Directorate of Industries, Small Industries Development Corporation (SIDC) and Small Industries Marketing Corporation (SIMC), etc. Not only institutions, but

various assistance programmes for SSIs have also been introduced. These are Concessional Finance, Priority Sector Lending, Fiscal Incentives, Price Preference, etc. The importance of small scale units as an effective instrument of employment generation is well recognized. Any country cannot accelerate the pace of industrialization without expanding small scale industrial units because these small units act as ancillaries to large units in their sophisticated production line. Heavy industries alone are not capable of generating employment potential for the country having heavy pressure of population and hence a shift in priority to greater emphasis on small scale units in development strategy, particularly in rural areas becomes a natural and logical corollary. "Learn new knowledge through regular activities and observe the needs of the customer such as the color they preferred for the sarees, these competencies with the help of Bastralaya Company will improve social-economic. Thus, the Bastralaya commit to bringing more earnings for weavers" (Kar, Surjit Kumar 2012:114).

In a developing economy with inclination towards rural sector, like India, small scale units have been assigned a distinctive role in the development planning process of the country. The relevance of small scale industries is enhanced in a situation where country's economy is facing the problem of population explosion on the one hand and scarcity of capital on the other. Under these circumstances the country has no other option to create and develop capital-saving and labour-absorbing employment opportunities.

CONCLUSION

In Indian context, list of benefits of small units is comprehensive in nature. Besides generating employment potential with a limited range of fixed capital, it creates an atmosphere of developing indigenous entrepreneurship in the country and contributes to the growth of active middle class. It facilitates effective mobilization of resources of capital and skills, particularly in the countryside which otherwise remain unutilized. Their contributions to employment, regional development, and economic self-reliance are invaluable. Small-scale industries play a crucial role in rural India by providing employment opportunities

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