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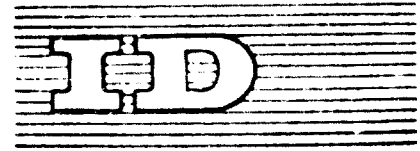
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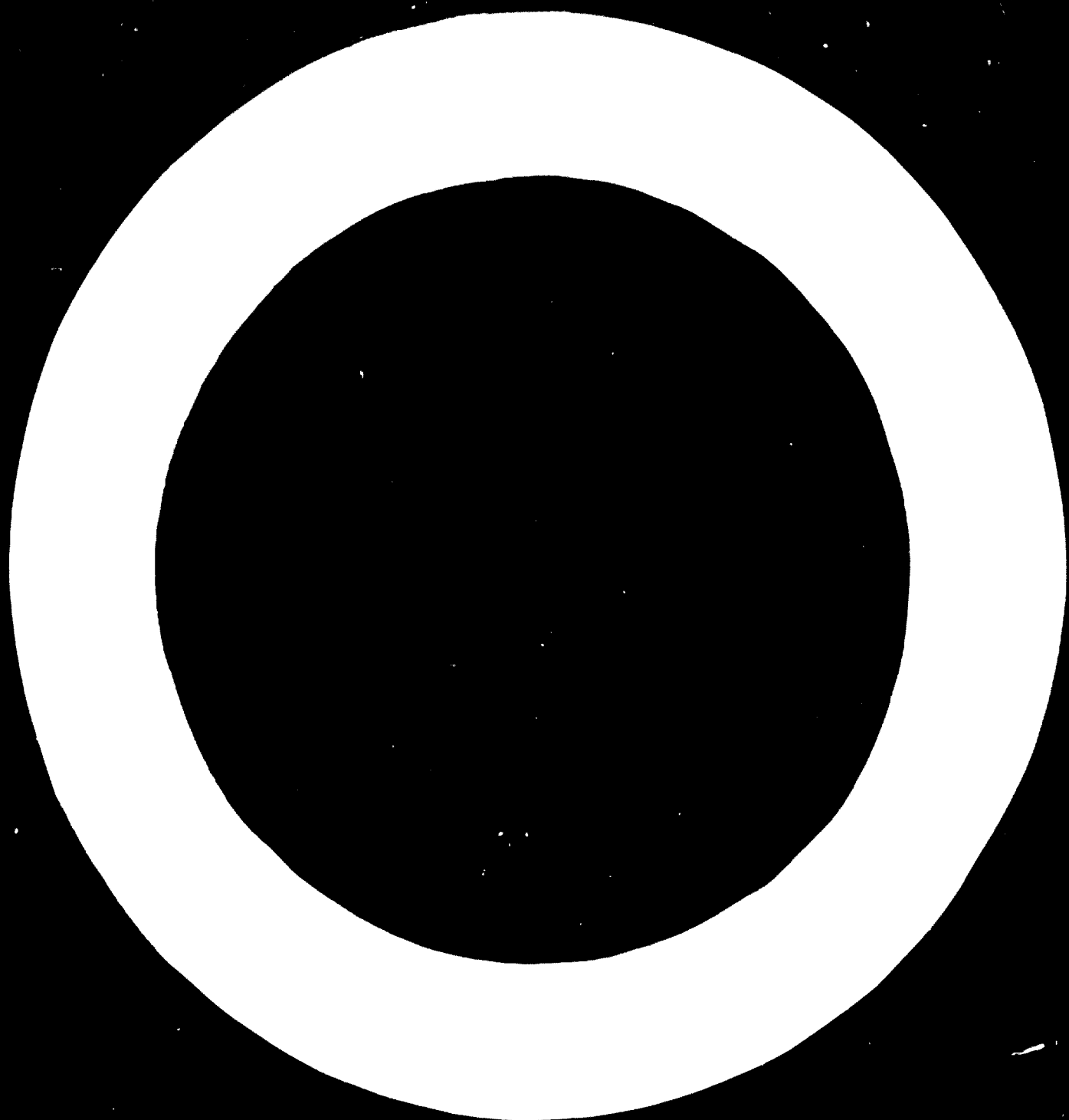
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**PUBLIC POLICIES FOR MODERNIZING TRADITIONAL
VILLAGE INDUSTRIES IN DEVELOPING ECONOMIES^{1/}**

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PUBLIC POLICIES FOR MODERNISING
TRADITIONAL VILLAGE INDUSTRIES
IN DEVELOPING ECONOMIES

1. INTRODUCTION

1. This paper discusses briefly the role of public policies in modernising traditional village industries in developing economies. Modernisation implies the simultaneous development of the technological, commercial, organisational and social aspects of village industries so that their working efficiency and the conditions of work and life of workers engaged in them are continuously improved but their fundamental basis of self-employment is maintained.

2. Before we proceed to discuss the subject, however, it would be useful to have a look at the important contribution made by village industries in the different developing countries in terms of the persons employed.

<u>Country</u>	<u>Year</u>	<u>Total Manufacturing</u> <u>Employment</u>	
		<u>Employment in</u> <u>Household Industry</u>	<u>Employment in</u> <u>Factory Industry</u>
1. India ¹	1961	11 million	4 million
2. Mainland China	1954	20 million	
3. Morocco	1963	11 million	
4. U.A.R.	1962	1 million	
5. Tunisia	1953	100,000	
6. Cameroun		400,000	
7. Senegal			
8. Mali		400,000	
Latin America ²	1950	52%	48%
9. Ecuador	1950	85%	15%
10. Haiti	1950	82%	18%
11. Nicaragua	1950	81%	19%
12. Honduras	1950	78%	22%
13. Paraguay	1960	78%	22%
14. Bolivia	1950	74%	26%
15. Venezuela	1950	36%	64%
16. Argentina	1950	41%	59%
17. Mexico	1950	44%	56%
18. Brazil	1950	48%	52%

¹ Based on Census of India, Paper 1 of 1962, 1961 Census, Final Population Total; and Government of India, Central Statistical Organization, Annual Survey of Industry, 1960,

² Economic Bulletin for Latin America, (Santiago, United Nations, February 1957), pp. 34-35.

3. Apart from the contribution of the present and the potential village industries and crafts to the development of rural economics, the question of promoting the welfare of such large numbers of workers engaged in the sector assumes importance both for the national governments and international organisations.

The Role of Village Industries in Developing Economies

4. Developing economies are today predominantly agricultural economies, with roughly three-fourths of their populations living in rural areas. It is in the context of this fundamental position that the programme of village industries development has to be considered. In these countries both agriculture and the working and living conditions in the rural areas remain depressed and the gaps in the income, the opportunities for development and the standards of living of people in the urban and the rural areas are widening, more especially as a result of policies which concentrate on urban development to the detriment of rural development. It is also universally recognised that this situation cannot be remedied unless the agricultural economy is diversified through rural industrialisation. In many of these countries the man-land ratio is unfavourable with a heavy pressure on land. This, together with the seasonal character of agriculture, gives rise to the chronic and intractable problem of underemployment of vast numbers of farmers and farm labourers. Agriculture remains depressed for several other reasons too. On account of the growth of urban centres which more or less monopolise opportunities of employment and modern services, the talented and enterprising rural youth automatically migrates to towns and cities. For the rural areas this constitutes a brain drain. Farmers who are thus deprived of their potential leaders are unable to introduce new scientific, technological or organisational innovations into their occupation. When rural areas are mainly primary producers and suppliers of raw materials to urban factories or for export, they always suffer from unfavourable terms and balance of trade, and lose the income they would derive by processing their raw materials. In losing these industries to towns, they also lose their traditional skills. When agriculture is the only major occupation of the rural community, it also has a depressing influence on the psychology of the people. As they have to depend on the forces of nature to which they must inevitably resign, the habit of resignation becomes their second nature which keeps them passive and self-satisfied with their present lot. Those engaged in industries, on the other hand, develop a sense of control over production and, therefore, of self-direction and self-confidence, and are thus psychologically better equipped to adopt new scientific methods in their occupations. Apart from the close interdependence of agriculture and village industries in many respects, this is the crucial logic for developing agro-industrial economy for the rural community. In the developing economies the programme of rural industrialisation assumes strategic

importance also from the point of view of the pressing problem of unemployment. This is a problem which seems to baffle planners in many countries.

Role of Handicrafts in Europe

5. Developing countries can certainly draw on the experience of the industrialised countries of Europe in matters of technology and organisation for the handicraft sector. But the approach to and the problems of developing handicrafts in the European countries, whether with market-oriented economies or with centrally directed economies, are fundamentally different from those in the developing countries. The main difference arises in relation to the spheres of activities of the handicraft sector in the two groups of countries. In the European countries, artistic crafts, modern servicing crafts and construction activities form the principal component of the craft programme, manufacturing activities being left to factory industries. The craft sector is expected to play a complimentary role to that of factory industries. Indeed, artisan work is called a partner of industry, the two partners hardly entering into the spheres of activities of each other. The question of competition between the two, therefore, does not arise. Government policy involved in fostering the growth of the craft sector is practically concerned with the developmental aspects rather than with measures of protection to be extended to crafts. The situation in the developing countries, however, demands a radically different approach. The need in these agricultural economies is more for processing and manufacturing industries than for servicing crafts, especially of the modern type. Unlike in the European countries, the large bulk of the population in the developing countries has low purchasing power and cannot afford to buy modern equipment such as radio, television, automobiles and even watches, with the consequence that the scope for servicing these modern needs is limited today. And although this can be regarded as a growing activity of the craft sector, for a long time to come it will barely touch a fringe of the huge unemployment problems of the developing countries, to solve which they have inevitably to take to household processing and manufacturing activities in the rural areas. Only these industries can invigorate the depressed rural economy. It is this distinction in the spheres of activities in the handicraft sector that calls for a different approach to government policy in developing countries. The programme involves competition between village industries and factory industries and the government policy has to solve this problem of competition besides adopting developmental measures. Governments have to evolve long-term policies such as a technological policy which works out a phased development of technology, so as to avoid technological unemployment and also works out spheres of operations between the factory industries and village industries with a view to ensuring the maximum national production of wealth and services, bringing about regional balances and above all providing opportunities

of gainful employment to vast numbers of their rural masses. These protective measures are necessary not to perpetuate inefficient techniques of production but to provide a nursing period during which the developmental measures have their impact on modernising the sector and improving its economic viability.

II. GOVERNMENT POLICIES IN DEVELOPING ECONOMIES

A. Inadequate Policy

6. Against this background of the need for government policy to provide the nursing and continuing support to village industries, the policy measures adopted in many developing countries have been found to be inadequate. In most of these countries there is a universal undercurrent of diffidence about the feasibility of village industries in the modern context. This undercurrent representing the lack of conviction for the success of the programme has been at the root of the halting approach and half measures adopted for the development of the sector. In such a climate of diffidence, no serious efforts have been made to modernise the sector in all its aspects - technological, organisational and operational and social - in a wholehearted manner which would fully demonstrate the potentials of the modernised village industries. The programme thus moves in a vicious circle. Because there is no such demonstration, governments are not inclined to adopt clear-cut long-term policies for the development of village industries, and in the absence of long-term policies and programmes, there is no modernisation of these industries. In most of the developing countries, governments are assisting village industries as temporary relief measures. Neither any staff cadre has been built nor sufficient financial provisions made for the sector. The whole institutional structure remains unorganised and weak, and there is insufficient climate created for the development of the sector. Evidently, it is only long-term government policy that can break the vicious circle and create the necessary climate.

Considerations Influencing Policy

7. Two sets of considerations have to be taken into account while discussing government policies for the development of village industries. They are: (1) the sector's distinct contribution to the economic and social development of the countries in the form of employment creation, raising living standards, rural development and increased food production, and (2) the feasibility of village industries under modern conditions. Governments do generally comprehend that apart from the high employment potential of village industries and crafts, they have the elements of great economic, social, cultural and political values to the developing countries and it is because of this comprehension that they are prompted to adopt whatever measures of assistance they do to develop the sector.

Potentials of Modernised Village Industries

8. What will induce governments, however, to adopt long-term development policies involving supporting and protective measures for the sector is their being convinced about the economic viability of modernised village industries. This calls for the demonstration of the potentials of modernised village industries through field experiments. Four assumptions have to be examined in this connection.

(a) Modernisation of Technology

9. It is usually assumed that the greater the degree of mechanisation introduced in any industry the more productive it becomes. This, however, is not true in all cases. The semi-automatic loom, for example, has been found to be technically as efficient as the automatic power-loom as is borne out by the data presented in Table I below.

TABLE I

Alternative Techniques in the Cotton Weaving Industry

	I Throw Shuttle		II Fly Shuttle		III Semi- Automatic Pedal Loom		IV Non- Automatic		V Automatic	
	Rs		Rs		Rs		Rs		Rs	
1. Capital cost per loom	5		50		250		1,500		5,000	
2. Workers per loom	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/2	1 1/2	1/16	
3. Capital cost per worker	4	4	440	440	200	200	3,000	3,000	800,000	
4. Output per loom per shift (yards)	3.5	3.5	6	6	30	30	30	30	30	
5. Net value added per loom per year (300 working days, 4 annas per yard)	262.5	262.5	4550	4550	2,250	2,250	2,250	2,250	2,250	
6. Net value added per worker per year	210	210	360	360	1,800	1,800	4,500	4,500	36,000	
7. Wage per worker per year	600	600	600	600	600	600	1,200	1,200	1,800	
8. Surplus or deficit per worker per year	(-)390	(-)390	(-)240	(-)240	1,200	1,200	3,300	3,300	34,200	
9. Ratio of surplus per worker to capital cost per worker	(-)97.5	(-)97.5	(-)6	(-)6	6	6	1.1	1.1	0.4	

Source:

Figures for cost per loom, number of workers per loom and output per loom are from Government of India, Ministry of Commerce and Industry, Report of the Textile Inquiry Committee (Delhi, 1954), pp. 11-12 and p. 17, and from I.L.O. Textile Committee. Fifth Session, Report II: Problems of Productivity in the Textile Industry (Geneva, 1955), p. 30. Figures for monthly wages, interest rate and durability of loom are rough estimates made by the International Labour Office.

10. Two more factors considerably improve the technical efficiency of village industries; one is the availability of electric power and the other is the provision of technological common facility services. To make both these facilities involving considerable investments available, however, production in the scattered units of rural artisans has to be reorganised, but electricity improves their competitive strength vis-a-vis factory industries. Observe Lewis Mumford:

"With electricity the advantages of size from any point of view except in possible special operations like the production of iron become questionable - ... on a purely technical basis small-scale industry can, for the first time since the introduction of the steam engine, compete on even terms with the larger unit. Even domestic production has become possible again through the use of electricity. Bigger no longer automatically means better: flexibility of power unit, closer adaptation of means to ends, nicer timing of operations, are the new marks of efficient industry. So far as concentration may remain, it is largely a phenomenon of the market, rather than of techniques: promoted by astute financiers who see in the large organisation easier mechanism for their manipulation of credit, for their inflation of capital values, for their monopolistic controls."¹

(b) Modernisation of Operational Conditions

11. The second assumption is in regard to the greater operational efficiency of factory industries but this is a factor related to external economies which could certainly be secured to the reorganised village industries sector. It is significant that the operational conditions affect the competitive capacity of several village industries with the corresponding factory industries to a much greater degree than technology. This is because the raw material component of the inputs exclusive of labour charges in these cases is very high as is illustrated in Table II below - concerning certain village industries in India.

¹ LEWIS MUMFORD: Techniques and Civilisation, (Harcourt, Brace and World Inc., New York, 1963), pp. 225-226.

TABLE II

Percentage Distribution of Constituents of Inputs

<u>Industry</u>	<u>Basic raw materials</u>	<u>Fuels and lubricants</u>	<u>Chemicals</u>	<u>Packing etc.</u>	<u>Repairs etc.</u>	<u>Transport of material</u>	<u>Taxes and Duties</u>	<u>Other expenses</u>
<u>Household industries</u>								
1. Carpentry	81.4	4.9	2.5	7.4	0.4	5.4	-	-
2. Blacksmithy	59.7	28.0	7.0	-	-	1.0	-	4.3
3. Leather working	83.8	-	1.4	8.4	1.1	1.2	3.2	1.9
4. Printing and dyeing	69.0	3.4	17.4	-	-	6.7	-	3.5
5. Weaving	94.3	-	4.1	-	0.4	0.3	-	0.9
6. Pressing of utensils (hand)	76.4	8.7	11.4	2.6	0.6	0.3	-	-
7. Lime kilns	17.6	45.2	-	-	-	20.7	16.5	-
8. Pottery	26.0	53.0	1.0	-	-	15.0	5.0	-
9. Brickmaking	17.8	62.5	-	-	-	17.2	2.1	0.4
10. Tanning	86.8	-	9.8	-	-	3.2	0.2	-
11. Bamboo works	87.5	6.8	-	-	-	1.9	2.3	1.5
<u>Small-scale industries</u>								
12. Furniture making	77.5	0.8	9.4	6.8	1.2	-	4.3	-
13. General engineering	62.0	1.1	16.0	0.9	1.0	2.6	8.1	8.3
14. Pressing of utensils (machine)	91.8	5.2	0.4	0.1	0.2	0.6	0.1	1.6
15. Oil pressing	99.5	0.2	-	-	0.2	-	0.1	-
16. Soap making	63.9	5.3	11.6	8.8	2.9	-	-	7.5

Source: M. C. Shetty: Small-Scale and Household Industries in a Developing Economy (London, Asia Publishing House).

12. A similar observation of a high raw material component entering into the cost of production including labour charges is supported by a survey of cottage industries in East Pakistan carried out in 1962 as illustrated in the following table¹:

TABLE III

<u>No.</u>	<u>Industry</u>	<u>Value in hundred thousand Rupees</u>	
		<u>Raw Material Consumed</u>	<u>Goods Produced</u>
1.	Agriculture and food products	1,210.7 (75%)	1,622.8
2.	Cane, bamboo and wood products	788.2 (63%)	1,248.8
3.	Glass and ceramics	201.6 (50%)	405.6
4.	Leather, rubber and plastic products	28.4 (69%)	40.9
5.	Metal works	812.4 (81%)	1,026
6.	Paper and paper products	4.4 (66%)	6.6
7.	Pharmaceutical, chemical and cosmetics	34.7 (71%)	48.7
8.	Textile industries	4,250.8 (72%)	6,585
9.	Miscellaneous industries	15.2 (53%)	28.8

13. The value of raw materials in these cottage industries comes to 71 per cent. of the value of products, the corresponding figures being 65 per cent. in small-scale and 50 per cent. in large industries respectively. This implies high overhead costs in the case of large industries. It also implies that if the large industry enjoys economy of scale, village industries can enjoy economy of local processing and of low overhead costs. If therefore, favourable operational conditions such as the supply of sufficient finance for bulk purchase of raw materials to secure economies of scale, quality control, marketing and product research, etc., are created for village industries through proper

¹ The East Pakistan Small Industries Corporation: Survey of Cottage Industries in East Pakistan, (Dacca, 1962), P. 6.

organisation, the field of competition between the large industries and the village industries is considerably narrowed and the disadvantages of inferior technology of village industries are to a great extent compensated by these favourable operational conditions. Village industries have other favourable circumstances too. In many cases they are either subsidiary to agriculture or agriculture is supplementary to them. The integration of village industries with agriculture is borne out by the following figures which indicate the interlocking of the rural labour force between agriculture and industries in Pakistan:

Distribution of Labour Force of Part-Time Workers¹

In agriculture	38.74 per cent.
In industry	59.98 per cent.
In service	1.28 per cent.
In Business	0.28 per cent.

Such combined occupations followed as spare-time or side activities have economics of their own. Direct sales by artisans to consumers further reduce the distribution costs. But many of these are today only potential advantages of village industries which remain dormant and inoperative mainly because the illiterate and scattered artisans are not properly organised.

(c) Modernisation of Organisation

14. The third assumption is in relation to the economy of scale enjoyed by the organised and the resourceful large-scale industries. It is of course possible to bring external economies arising out of large-scale organisation to the village industries sector through the modernisation process of which modernisation of organisation is the basis. The modernisation of technology and the provision of favourable operational conditions to the scattered rural artisans entirely depend on the modernisation of their organisation. What does this modernisation of organisation mean? Essentially it incorporates several elements of the large-scale industries and uses them to the advantage of the rural craftsmen. These elements are:

- (1) large-scale organisation;
- (2) advantage of good location;
- (3) economic and social infrastructure;
- (4) financial resources;
- (5) modern technology;
- (6) specialisation;
- (7) efficient management.

¹Rural Industrial Services (Peshawar, 1963), p. 26.

In terms of creating a practical framework, all the above elements boil down to two:

- (1) an area level organisation offering common facility services to the craft units operating in the area villages;
- (2) location of the common facility services in a rural market town functioning as a focal point of the development of the area economy.

On the basis of these two arrangements all the seven elements mentioned above could be secured to the rural craftsmen.

Area Organisation

15. An area level organisation with its headquarters in one of its convenient market towns in several ways integrates the working of the handicraft units of the area and establishes various tools to bring external economies to these units. In the first place it facilitates adopting a more recent trend of thought of area-wise planning so that co-operative complexes of processing industries, by product industries and other village industries could be developed. Area planning can also enlarge the programme of rural industrialisation by undertaking complicated manufacturing and servicing activities which would normally be considered beyond the reach of individual village artisans, as it can train them in the new skills required for the enlarged programme. Along with planned production area planning can provide planned markets on the basis of marketing research and arranging exchange of goods and services within the area which can considerably raise living standards of those whose idle time is so utilised. Area planning introduces the element of the economy of scale in the production processes, in the distribution system and in purchasing and supply of raw materials. An area level organisation functioning on the basis of area planning can really s cure to the rural artisans the advantages of bulk purchase from the best markets. It can upgrade the production technology of the rural artisans and by allocating specific processes and activities among the different craft units operating in the area villages and demarcating spheres between these units and the common facility services centre it can also encourage specialisation in village industries, and strengthen the rural artisan units as well as family spare-time occupations. An area level organisation alone can offer employment opportunities acceptable to the talented rural youth in their own surroundings and create enlightened social environment to improve conditions of work and life for them. And, finally, an area organisation can alone establish the following common facility services for the rural artisans:

Technological Common Facility Services

- (1) workshop with special machinery to be used by members on hire system or at fixed rates for jobs performed;
- (2) supply of treated raw materials - seasoned wood, mixed clay, corded silvers for spinning, etc;
- (3) finishing and assembly;
- (4) testing, quality marking, packing and forwarding;
- (5) providing training in skill formation;
- (6) a bank.

Commercial Services

- (7) transport services;
- (8) pooled purchase of raw materials;
- (9) supply of improved equipment;
- (10) marketing research;
- (11) marketing of products.

Social Services

- (12) a cultural centre;
- (13) a canteen;
- (14) recreation services;
- (15) women's association;
- (16) youth league.

Market Town as a Focal Point of Area Development

16. The essential superiority of the rural town as a centre of social and economic life of an area has been historically well established. The rural town is therefore the natural focal point of area development and it is considered that development of village industries through the medium of craft complexes established at such focal points - towns - can be brought about more rapidly and effectively than trying to help each scattered rural craft unit separately. There is a sociological aspect of industrial development involving technical, industrial, economic and social environment which the town provides in the form of developed markets for finished products and supplies of raw materials, a pool of trained labour, banking

and other service institutions, communications and, above all, the social and cultural opportunities which attract and hold managerial, technical and professional personnel. The area level units of production and servicing organised at the complex can provide employment opportunities acceptable to the village youth, who in their turn provide the element of efficient management to village industries of the area. The complex located in the rural town thus provides the rest of the elements required to modernise the village industries organisation, namely good location, economic and social infrastructure, modern technology and efficient management.

17. The town complex particularly solves the problem of providing finance to village industries. Financial institutions hesitate to advance loans to village industries mainly because of the cost and risks involved in recovery of loans. The complex which can integrate the various services and measures of support to village industries can become an effective instrument to overcome the obstacles to small industry financing. The extension staff which can be conveniently located at the complex could work out the feasibilities of the various units of production and servicing, formulate loan applications, supervise the use of loans and guide in raising the productivity of craft units, thus considerably reducing the business risks and the costs of recovering the loans. A central warehouse for stocking raw materials could also induce the bank to advance funds against goods under their control.

(d) Modernisation of Social Environment

18. The fourth assumption is in relation to the conservative nature of the rural artisan which, it is said, is not conducive to the modernisation of his occupation. Whether it is the artisan's inherent nature or his economic and social environment that is responsible for his conservatism is a point to be considered. He is more often than not a creature of circumstances. Reference has been made to his economic circumstances in which he functions as resourceless artisan incapable of taking any risks in adopting new innovations or in expanding business. The technological, operational and organisational modernisation as suggested above is meant to improve his economic environment with a view to raising his capacity for new innovations. As for his mental attitude, supposed to be one of clinging to established methods of work, there are clear indications of the changing trends. Few rural artisans wish their sons to continue in their family professions and try to educate them for better occupations, not only in terms of higher income but also social status, or in other words for better conditions of both work and life.

The latter calls for modernisation of social environment which does away with social distinctions associated with occupations from which the potential artisans and entrepreneurs want to escape. The area organisation, with its market town as the focal point of area development, liberalises the rigid social environment of the isolated village community and establishes a functionally wider community which is often termed as a "rurban" community, synthesising the best elements of the primary village community with those of the urban civilisation. The area organisation of village industries with their complex thus provides a great tool to modernise the economic as well as the social environment of rural artisans.

19. The effective strategy for modernising village industries would thus seem to lie in the establishment of complexes in rural towns and to work out production linkages between these urban centres and the village industries units. This is the conclusion arrived at by an expert committee of the Government of India. It says: "The pattern of industrial activity that should gradually emerge is that of a group of villages having its natural industrial and urban centre. These small urban centres will be similarly related to bigger ones. Thus a pyramid of industry, broad-based on a programme of rural economy, will be built up. In such an organisation small centres can experience a co-operative interest in the bigger ones and these later would develop a genuinely "supporting" instead of an "exploitative" relationship towards the smaller towns and the countryside."¹

¹Government of India, Planning Commission: Report of the Village and Small-Scale Industries Committee, (New Delhi, 1955), p. 22.

IV. ELEMENTS OF POLICY

20. To bring about such full-fledged modernisation of the village industries sector is possible only on the basis of a definite long-term government policy which under planned economies assumes wider significance. Indeed, the concept of policy itself has become wider. It has two aspects, one relating to protective measures and the other of developmental aid. The first does not constitute an end in itself, but is a means to an end, which is modernisation of the sector with a view to improving its working efficiency. It provides the nursing period to the sector and is essential during this period of transition, so that the developmental effort bears fruit. Government initiative is essential for the two-pronged approach.

Developmental Policy

21. Modernisation implies directed change where progress has to be achieved with new balances in a dynamically changing economy. This applies to all the four aspects of modernisation of village industries - technological, operational, organisational and social. Government has to evolve a technological policy which, while upgrading the technology of the sector, does not create technological unemployment and it so phases upgradation that it makes for the utilisation of the idle manpower. It also emphasizes the aspect of the maximum national production of goods and services through the fuller utilisation of scattered idle resources and production units rather than that of profits of only efficient industrial plants. To improve the operational efficiency of the sector, the Government has to evolve a financial policy which will ensure the timely supply of finance to the artisans for bulk purchase of raw materials etc. It has to adopt a training policy so as to create the requisite cadre of planning, implementing and extending personnel for the sector. To modernise the organisation of village industries area planning and craft complexes located in rural towns have to be developed. Social modernisation implies improving the social environment of rural artisans by synthesising the cultural values of the primary village society with the civilisation of the liberal urban society through the establishment of a wider area level urban community. All this involves a unified government policy which alone can achieve balance between the claims of national planning and area planning between social progress and economic advance, and between centralised industrialisation and the modernisation of the decentralised village industries sector.

Protective Policy

22. It may be useful here to consider briefly some aspects of the protective measures adopted by Asian countries, such as India, Pakistan and Ceylon for the development of

village industries. One general experience emerges very clearly. If full nursing is not provided to the sector during its transition to modernisation, the developmental aid extended to it proves to be only a relief measure. There is no definite climate created for the development of the sector and the undercurrent of diffidence about its future prospects runs through all the efforts and provisions made for it in the national plans. In the absence of protective measures and resourceless artisans were not able to modernise the technology or operational activities and organisation of their industries in the face of competition from the resourceful factory industry, merely on the strength of government aid which is always symbolic and inadequate. In this context, Ceylon illustrates the good impact of the full protection provided to its handloom industry. Although handlooms were working in a few pockets in the north, on a country-wide basis they constituted practically a new introduction a decade ago. The nursing required was therefore all the greater and the Ceylon Government provided it in ample measure and in all possible respects, in order to see that the industry took firm roots in the country's economy. In 1955 there were only 1,500 privately working handlooms in Ceylon to which 3,500 government-sponsored looms were added. Five thousand more looms were introduced by the Government in 1956 and another 12,500 in 1959.¹ In 1965, 45,000 looms were already working and the target fixed for 1970 was 70,000 looms.

Reservations of Spheres

23. In its Five-Year (1965-70) Development Plan for the handloom industry, Ceylon has worked out allocations of production items of cloth among the handlooms, the powerlooms and the mills with reservations of certain items entirely for the handlooms. Prior to the introduction of the system of allocations and reservations, handloom weaving enjoyed an indirect subsidy in the form of duty-free import of yarn and handloom cloth was compulsorily sold to private traders in proportion to the quota of import licence for textile goods. The Government has set up centres to train weavers, has organised handloom weaving co-operatives providing them with government-paid managers. It has also set up common facility centres such as sizing and warping plants, finishing dyeing and printing centres to upgrade and modernise the preliminary procedures and finishing operations of the industry. The introduction of handloom industry demanded the development of new skills in the country and necessitated an

¹ Report to the Government of Ceylon on the Development of a Textile Industry on a Decentralised Basis, Part II, ILO/TAP Ceylon R-20, 1962.

² J. Patel: Survey of Artisan Industries in Ceylon (Geneva, I.L.O. 1967).

all-functions approach by the Government, right from the supply of raw material and equipment to training, managerial assistance, common facility services and marketing. It is this all-functions approach adopted by the Ceylon Government which is responsible for the steady growth of the industry during the last ten years and which now enables it to contribute a definite share to the country's requirements of cloth.

Excise and Subsidy

24. Levying excise duties on the textile mills and giving production or sales subsidy to the handloom and khadi (hand-span, hand-woven cloth) out of the funds collected through excise, in addition to reserving certain varieties of cloth production for the handloom sector, is the policy adopted by the Indian Government for the development of the decentralised textile industry. This excise - subsidy approach serves a double purpose; it provides a measure of protection - indirectly through the excise and directly through subsidy - but it serves another very important purpose too. It solves or can solve to a considerable extent the problem of finding funds for the craft sector. Supply of adequate finance to this sector in developing countries has always been a knotty problem. Direct government finance remains inadequate. Financing institutions are not willing to advance money to the resourceless artisans on account of the risks and extra expenses involved in recovering the loans. Some governments have adopted schemes of guaranteeing advances given by financing institutions to artisans under which governments bear the major share (75 per cent. in India) of the loans incurred. This guarantee system does improve the prospects of organised artisans to get more funds for working capital, purchasing modern equipment and expanding business but only to a certain extent, and it does not meet the need of bulk supply of finance to the rural artisans. It is this situation which calls for the adoption of special measures to raise adequate funds to meet the requirements of village industries. The excise duty on larger industries is considered to be the effective measure for this purpose. Opinion is divided as to whether these funds should be used for distributing direct subsidies to artisans' units but planners favour the raising of funds through excise on larger industries for extending the multifarious developmental aids to village industries, such as supply of electric power, building up the economy and social infrastructure, setting up common facility services and establishing craft complexes etc. It has already been observed that the craft complexes improve the changes of the scattered rural artisans to secure loans even from the financial institutions.

Government Stores Purchase

25. One more element forms part of the protective measures adopted for the development of village industries

and crafts in some countries, and that is preferential treatment and concessions given to this sector in stores purchase for the requirements of different government departments, including the military, railways, postal service and hospitals. Government orders are usually very substantial and can provide a good support to the craft products. In Italy and France legislation favours "reserving government markets for workers' productive co-operatives and craftsmen's co-operatives". It is considered fair that these markets which are financed by taxation, that is by the majority of the population, are contributing to the general welfare of the working people rather than being monopolised by the resourceful factory industrialists. Substantial quantities of craft products are purchased for government stores in India too, where special specifications have been evolved to accommodate the different types of production of the artisans.

26. When in many of the developing countries the approach of planned economy has been or is being adopted by governments, the question of the long-term policy for the development of village industries assumes tremendous significance and becomes crucial for creating a general climate and an impact on the development programme. Such a policy would include protective measures such as excise duty on factory industries and subsidies to village industries, demarcation of spheres of operation between the factory industries and village industries, preferential treatment to village industries in government stores purchase and import restrictions on the one hand and the multisided developmental aid extended to village industries to enable them to achieve modernisation on the other hand. It would be extremely useful in this connection to compare notes on the experience gained by different developing countries which have adopted varying protective measures and extended development aid in different degrees to their handicrafts development. It would appear, however, that on the whole Asia - India, Pakistan and Ceylon for that matter - leads among the developing countries in evolving meaningful policies for the development of handicrafts, followed by some North African countries.

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¹ Paris, Confédération Générale des Sociétés Co-operatives Ouvrières de Production: The production Co-operative and the Industrialisation of the Uncommitted Countries.





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