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RURAL INDUSTRIALIZATION PROGRAMME ^{1/}

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Rural industrialization is today the rage of developing countries. Many of them desire to avoid the adverse effects of rapid and lopsided industrialization experienced by the developed countries, which brings in its wake concentration of industries and population in urban areas with the resultant slums, illhealth, ~~unruly~~ urban centres and more than all these, the impoverisation of the villages and the crafts which gave them livelihood and prosperity. Social coherence and even sharing of national prosperity are tremendous casualties when industrialization goes unbridled to the cities and towns. Hence the rural industrialization programme is of crucial national interest to them. Countries which account for more villages and, therefore, are rural in character, have no other alternative but to work out a systematic and scientific programme of industrializing rural areas.

I. OBJECTIVES

The objectives of such a programme are as under.

1. It will make living in rural areas worthwhile and bring prosperity to that part of the population which needs it most.
2. It will ensure a balanced growth of the economy.
3. It will ensure a better utilization of resources and skills of the country.
4. It will provide gainful employment to the unemployed and underemployed. Agriculture, which is the main occupation of villages, being seasonal in nature, the problem of underemployed is more acute.
5. It will avoid the influx of population to the towns and cities.
6. It will provide meaning and growth to traditional crafts and industries which are gifts of centuries of human civilisation and the pride of a nation. These would have otherwise withered away, making the transition to a modern economy a very painful process.

II. A PART OF INTEGRATED DEVELOPMENT

Rural industrialization programme is not a promotional attempt in isolation. It should be a part and parcel of a total programme of rural development. A mere intensification of industries in rural areas unlinked with the development of agriculture, transport, power, sanitation, housing, social welfare, trade etc. will be like hitting in the blank. This is because a rural area is an integrated unit and its development will have to be in an integrated manner.

III. WHAT IS A RURAL AREA?

Undoubtedly this question has baffled many a planner. But in reality the rural area is there to see and feel in everyday life. The distinction between rural and urban is quite pronounced. The characteristics of a rural area, however, differ from country to country or for that matter from time to time in one country itself. Some of

the determining factors usually taken for distinguishing rural from urban are (1) size of the population (2) ratio of agriculture to other occupations (3) livelihood pattern of the people (4) per capita income (5) existence of crafts and (6) the extent to which industries are related to agriculture.

IV. WHAT IS A RURAL INDUSTRY

A large cement factory situated in a rural area is not considered a rural industry. A rural industry has certain distinct characteristics.

1. Size, or in other words, scale of operation is an important attribute of a rural industrial unit. The scale of production will be comparatively small, capital input will be little, equipments rather than machines will be used in operations and number of persons employed will be small. In fact in many cases it will be a one man show and use of power will not be a common factor as is the case with urban industries.
2. Technology levels used in rural industries will be distinctly lower in sophistication than in the case of urban units. Traditional technologies with some modernisation will be the hall mark of a rural industry. Rural technologies have to play a very significant role in the development of developing countries. Some examples are handloom weaving, pottery, mat weaving, village oil crushing, lime making, village tanning etc.
3. A rural industry is mostly a "non-factory industry" in its essence even though some factory type production is not ruled out. The operational feature will be less systematic, the relation between the employer and the employee will be less pronounced, the functional aspects of production will have blunted edges and the market for the items produced will be purely local in nature. In many cases they are cottage-based household industries.
4. These industries will be very much craft-based and the artisan is the key figure behind a rural industry.
5. The nature of production of items is such that they are closely linked with agriculture. They are now known as agro-based industries.
6. The rural industrial units will be catering to limited local markets.

V. SELECTIVE APPROACH AND GROWTH CENTRES

Before discussing some of the techniques adopted for industrializing rural areas, it should be noted that whatever may be the eagerness of a country to industrialize its villages, the approach will have to be selective. Every village by itself does not qualify for developmental inputs for starting industries. It must have some viability. In order to achieve better results growth centres have to be identified. India, which is a pioneer in rural industrialization learnt it at some cost.

A) Meaning and objectives of growth centres

The concept of growth centres is difficult to define. But, in the present context, this term refers to those areas which have potential for further expansion. In order to restrict the growth of big metropolises of the country and to increase the attractiveness of rural areas, growth centres could be developed as intermediate links between cities and small villages. The programme of developing growth centres is an effort towards the reversal of the trend of setting up industries in the already developed cities. Concentration takes place because the factors of production during the process of industrialization flow towards the big metropolises. Consequently, the rural population begins moving towards the area of large industrial establishments with a view of securing employment opportunities. Secondly, the industrial raw materials and other industrial inputs found in rural areas are also transferred to these metropolitan centres. Thus, there is a movement of men and materials from a large number of scattered rural areas to a few industrialized big cities. Thirdly, the industrial workers remit money to villages for consumption purposes which expands the village market for consumer goods. The growth centres aim at stopping and reversing this process. This implies that the flow of men and material, which naturally comes to large industrial cities for manufacturing activity, would be held back. The growth centres would stop the migration of rural population to urban areas and reverse the flow of industrial raw materials to manufacturing centres. These centres would set up processing units for raw materials collected from the adjoining rural areas and would send finished products back for rural consumption. When these intermediate manufacturing centres develop and other amenities are made available, purchasing power would be generated in the rural areas and their attractiveness for living would also increase.

Such growth centres have an important function in the programme of rural industrialization. There are various stages in the growth of a region. Small scattered villages would gravitate round the bigger ones which would be linked with market centres. These market centres also gravitate around larger industrial areas. There is thus a natural tendency for the small-sized regions to be linked with the bigger ones in a hierarchical manner. During the course of this expansion, many socio-economic changes take place. The growth centres would assist the uneconomic concentration of factories and population.

Growth centres also aim at lowering the cost of production. Though the presence of external economies is helpful to the programme of industrialization, this benefit peters out after a certain stage. The law of diminishing marginal returns begins to operate and any additional firm set up in the concentrated area has to encounter increasing cost conditions. The net social costs beyond the optimum level of concentration, (particularly due to strain in providing such amenities as housing, hospitals,

schools, electricity, water, food stuffs, etc.) are increased to prohibitive levels. A deliberate policy of mitigating such strains would in due course add to the aggregate social net product. This implies that the setting up of growth centres would be useful even for providing economic returns to large-scale enterprises in big metropolises.

B) Pre-conditions of growth centres

The growth centres can be successfully developed only when certain pre-conditions exist. These pre-conditions are mentioned as follows:

- (i) There must be a sufficiently large number of working population from which industrial labour as well as intelligent entrepreneurial talents can be mobilized.
- (ii) Substantial amount of local savings also must be there. This would be evident from the size of the commercial enterprises both at the centres and at the satellite villages. Existence of banking and other financial and credit institutions help to mobilizing the local savings.
- (iii) Local availability of raw materials (agricultural, forest-based as well as mineral deposits) would encourage the development of growth centres; without this, other facilities would be of very little consequence.
- (iv) As the growth centres aim at reversing the flow of industrial inputs, etc. to bigger cities, it is necessary that the items manufactured and processed should have substantial demand from local regions.
- (v) Power connections and transport facilities must be present for successful implementation of any developmental scheme of growth centres.
- (vi) These growth centres would be favourably located either on national highways or at the inter-sections of main roadways going from rural areas to towns in the district or province.
- (vii) In order to increase the attractiveness and growth potential of these growth centres, a high level of technical know-how should be available. For this, it is helpful to have a large number of educational and other technical training institutions. These institutions could help building up of technical know-how and maintaining of a regular supply of the same so that the needs of higher levels of technology are satisfied.
- (viii) Constructional activities should be present there. Unless there is a possibility of constructional activities, the development process may be hampered due to the absence of satisfactory office premises, public buildings like schools, hospitals, etc. and housing.
- (ix) Increasing level of population in these growth centres would emphasize the need for health services such as hospitals, dispensaries and medical stores.

(x) Recreational facilities like cinemas, libraries, parks, etc. would be helpful in increasing the attractiveness of growth centres.

C) Identification of growth centres

In India identification of growth centres is done on the following criteria:

1. Population range
2. Proximity to an established industrial centre
3. Functional orientation towards industry/commerce
4. Availability of infrastructural facilities
5. Intensity of agricultural development
6. Access to markets near about
7. Size of local markets.

D) Techno-economic surveys

These surveys are essential to plan and develop growth centres. The survey will provide a comprehensive picture of existing resources and skills of the area, the steps required to improve the existing and new industries and a programme of provision of inputs and promotional assistance.

VI. AGRO-BASED INDUSTRIES

The development of rural areas is closely linked with the promotion of agriculture and agro-based industries. Wherever agro-based industries are set up, the traditional methods of agriculture slowly give way to modern techniques and implements. It has already happened in several places where such agro-industries as sugar milling, etc. have been established. These industries have, as expected, given rise to the use of fertilisers, pesticides, irrigation and to the development of several other improved practices. Thus, the development of agro-based industries in rural areas can become the fulcrum around which other developmental activities are encouraged.

Agro-based industries include processing industries and agricultural inputs manufacturing industries. Industries processing agricultural produce and industries providing inputs for agricultural production have already helped modern farming in many ways. A determining factor for the success of agro-industrial programme is the extent to which the farmers' needs are met with and the means adopted for stimulating farm output.

VII. EXTENSION SERVICE

A) Extension service for a programme of this nature primarily involves provision of technical, managerial and economic know-how. But, provision of services like supply of prototypes, drawings and designs, and common facility services are necessary for the success of this programme.

The most significant area where these units require assistance is marketing. Inadequate attention to this aspect is mainly responsible for many a programme in different countries having either failed or registering very little progress. In the selection of items, in deciding the level of technology and in planning production the scope of markets will have to be the main criteria. As a rural entrepreneur will be worse placed than his urban counterpart, he has to be assisted in marketing his goods. In India, the government even reserved items exclusively for purchase from these units which in no less a measure provided a fillip to these industries.

B) Rural industrial estates

Rural industrial estates provide ready-made sheds and infrastructural facilities to tiny village units. It also provides common facility centres. These estates are distinct from urban estates in so far as the construction of the sheds will be cheap as local materials are used and the area of the shed will be small.

C) Artisan Guilds

This is an ideally suitable arrangement for production for artisans. Artisan guilds will consist of a common shed or small partition under one roof in which the artisans will undertake production in a combined manner. Raw-materials, equipment and required capital will be supplied to them by the guild and the products will be marketed. An integrated scheme like this has been successfully experimented in India which brought creditable results.

D) Provision of Inputs

Access to inputs like equipment and raw materials will be as remote to a village entrepreneur as the village is from the port or the town. His financial resources will be quite meagre compared to the urban entrepreneur. Adequate institutional arrangements will have to be made to furnish him with inputs in time and on easy instalment basis.

In India, rural industries projects are especially set up to supply inputs and administer other developmental assistance to the rural entrepreneur.

E) Upgrading of skills and introduction of new skills

Rural industries are basically interrelated with skill orientation. Modernising or upgrading of existing skills will be required to increase the capabilities of the village artisan.

One of the major bottlenecks experienced by many developing countries in rural industrialization is that the skills available are not linked up with the markets for the products of these skills. It is found to be more a question of lack of communication between the artisan and the market. Very often his products do not sell because

it may not be the right type of product. The market trend in consumption changes calls for product design. The existing skills will have to be improved and brought up to required standards.

In many cases of emerging countries, need has been found to introduce new skills for utilizing locally available resources.

F) Intensive campaigns

These campaigns are undertaken in selected rural areas to promote and develop entrepreneurship by providing required inputs at one place and at one time in an intensive manner.

G) Institutional Arrangements

Various countries have set up different types of institutions for offering assistance. The different types of institutions, are as under:

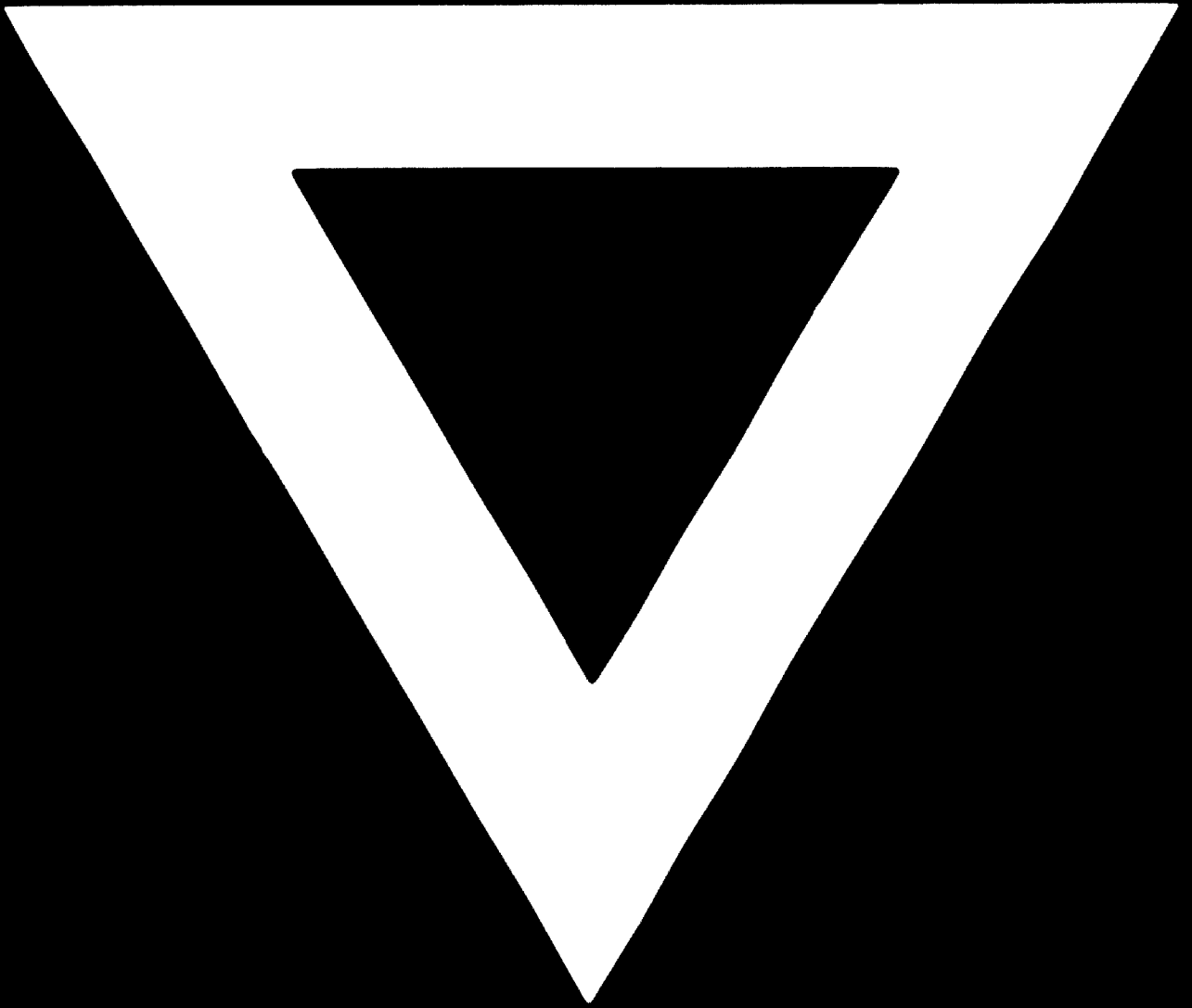
1. Rural Industries Boards/Commissions at national level.
2. Extension Centres to provide technical, management and economic know-how and other promotional assistance.
3. Development Centres, to involve technologies, prepare prototypes, conduct training and assist in marketing.
4. Marketing corporations to arrange or directly sell the products and give guidances in marketing.
5. Rural Development Banks to provide financial assistance.
6. Special corporations to supply equipments on hire-purchase basis.

Very often different aspects of assistance are combined either in one institution or in a few of them.

H) Incentives

Various governments offer a wide range of incentives for the purpose of rural industrialisation. This is combined with the object of dispersal of industries to backward areas. To mention some of them: these incentives take the form of participation in capital, subsidy or grants towards transportation, costs, concession in power rates, price support, concessional finance, reservation for purchase from these units, providing factory sheds at subsidised rates, provision of feasibility reports, and market research assistance free of cost, and tax concessions.





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