

Roadmap for Rural Industrialisation

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A strong linkage between farm and non-farm sectors needs to be developed for augmenting income and creating jobs in rural areas. Farm-sector driven industrialisation may be evolved from production to processing and marketing. Such a linkage will help the farm sector to produce market-driven commodities, reduce transportation costs, receive remunerative prices at farm gate, and minimise farm waste.

C OVID-19 induced pandemic has thrown up several socio-economic challenges for India, the most critical being how to revive the economy. To surmount this hurdle and leap over, India needs to re-engineer and reconfigure its socio-economic set-up. One of the key drivers of this reconfiguration would be the behaviour of migrant labourers. This has become crucial because the proportion of the labour-dependent informal sector in our economy is very large. India has an estimated 497 million workers, of which about 94 percent work in the unorganised sector. A large percentage of this population has been severely hit by COVID-19. During the lockdown, despite severe restrictions,

many workers, with no cash left, returned to their native villages by whichever means available. The less-adventurous workers stayed back, but without any income. The reasons behind this desire to return home are not far to seek. Even today, they feel that the village ecosystem provides them emotional security and, to a large extent, food security. Over the years, India has witnessed a phenomenal increase in rural-to-urban migration due to declining opportunities in rural areas, dwindling returns from agriculture, and rapid urbanisation/industrialisation in cities.

This has led to a mushrooming of slum-clusters in cities, resulting in a severe strain on the urban infrastructure such as water, sewage, transport and



on social resources. It seems like the coronavirus has pushed a reset button to ensure seamless reverse migration from urban cities to rural areas, and we, if we so desire, have an opportunity to capitalise on this situation. In the effort to jumpstart the economy, mainly the Micro, Small and Medium Enterprises (MSMEs) sector, we could try and integrate these reluctant-to-return migrant workers into India's rural economy. This may also be an occasion to realise the dream of Mahatma Gandhi, by making his concept of *gram swaraj* a reality. After this reverse migration, these skilled migrants are available in a cluster in rural areas. This can be leveraged to set up MSME units and provide them with credit, technical know-how and market support. It is time for the Ministry of MSME and the state governments to come up with a workable plan to encourage a cluster of the cottage, small and medium enterprises in villages and mofussil towns. The educated among the skilled labourers could lead this MSME effort, especially in the food and fruit processing sectors. The Central Government led Micro Units Development and Refinance Agency (MUDRA) could be a big help here.

In this backdrop, it would be pertinent to understand the concept of Rural Industrialisation. It includes economic activities outside agriculture, carried out in villages and varying in size from households to small factories like cottage, tiny, village, small-scale manufacturing and processing industries, and services of various kinds. Industrialisation in rural areas not only leads to increase in per capita income and augmentation of living conditions by generating appropriate employment opportunities for rural folks but also causes reduction in income disparities between urban and rural areas thus ensuring social justice. Rural industrialisation is important not only for its contribution to GDP but also for its stellar performance in exports. The major advantages of rural industrialisation are as follows.

- (i) Small and cottage industries require low capital investment
- (ii) Rural industries can take more advantage of local resources
- (iii) Transaction costs can be avoided by catering to local demand
- (iv) Employment generation

Mahatma Gandhi aptly said, "The crying need of India is production by masses through rural entrepreneurship and not mass production by heavy industries".

For uplifting the rural sector of our country, Ministry of Rural Development in coordination with Department of Land Resources has been carrying forward various schemes. Pradhan Mantri Gram Sadak Yojana, launched in 2000, is the first step in this direction which ensures sustainable poverty reduction in the long run as people in rural areas get an opportunity to get connected with the rest of the country. According to the current data under the scheme the government has completed length of 705,179 km, and a total of 1,69,129 roads have been completed.

The promotion of small scale industries has been a major plan of Indian Industries Policy of 1948, 1956, 1977, 1980, 1991 on account of reasons like generation of employment opportunities, assisting individuals in generating supplementary income by making use of their capital and skills, contribution to capital formation, less dependence upon imported machinery and raw materials, etc. The small scale industries are also regarded as useful in generating more sources for the demand and supply opportunities for the large scale industries.

The three way approach which may help in increasing the rural industrialisation are: i) Agriculture diversification by exploring the opportunities by farming completely a new range of grains, fruits or vegetables; ii) Establish agro-food processing units or related units like beverages production and many others; iii) non-farm product business establishment by promoting local rural artisan work. With this view, the following initiatives have been taken by the Government of India.

The Scheme of Funds for Regeneration of Traditional Industries (SFURTI): This Scheme launched by Ministry of MSME in 2005 aims at ensuring that the various traditional clusters of industries like bamboo, honey, Khadi spread throughout the country, especially in rural India, are met with amenities and benefits that can help them become more competitive in the industry and gain larger revenue in profits. The core

objective of the scheme is to provide economically sustained employment to the industry workers, local business heads, and rural artisans. It targets at advancing and enhancing the market value and advertising value of products provided by local clusters. This is done by providing economic and financial support to the worker or artisan's new products, intervening in the design process and remedying it, improving the packaging of the product, and ensuring a sound marketing plan for the product. The subsidies they get from the SFURTI scheme depend on the amount of grant that the cluster has received. A maximum budget of Rs. 8 crore is allotted to the densest clusters in a district which is then lowered as the clusters get thinner and sparse.

A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE):

This is another initiative to set up incubation centres and network of technology centres for enhancing entrepreneurship across India. The main objectives of the scheme are:

- creation of new jobs and reducing unemployment,
- grassroots level economic development,
- promoting entrepreneurship culture in India,
- facilitating innovative business solutions for meeting the social needs of the people,
- promoting innovation for further strengthening the competitiveness in the MSME sector.

For Livelihood business Incubations, a onetime grant of 100 percent of the cost of plant and machinery other than infrastructure and land or an amount of up to Rs. 100 lakh, whichever is less is provided. For Technology Business Incubations, the grant is limited to 50 percent of the cost.

Prime Minister's Employment Generation Programme (PMEGP):

It is yet another credit-linked subsidy scheme launched by merging two schemes namely Prime Minister's Rozgar Yojana and Rural Employment Generation Programme for generating employment opportunities by establishing micro-enterprises in urban and rural areas. The programme is being implemented by the Khadi and Village Industries Commission (KVIC) at the national level, through banks, District

Industries Centres (DICs), State KVIC Directorates, and State Khadi and Village Industries Boards (KVIBs) at the state level. Individuals above the age of 18 years, Self Help Groups, cooperative level societies involved in the production, and institutions that are registered under the Societies Registration Act of 1860 are eligible for benefits under this programme. KVIC has approved and forwarded 1.03 lakh project applications to the banks in 2020 as compared to 71,556 projects during the corresponding period in 2019. The higher number of projects approved signifies the government's resolve to create self-employment and sustainable livelihood for the people by promoting local manufacturing.

Pradhan Mantri MUDRA Yojana: Micro Units development and Refinance Agency Ltd (MUDRA) provides refinance support to Banks /MFIs for lending to micro units having loan requirement upto 10 lakh. Launched in 2015, It provides its services to small rural and semi-urban entrepreneurs outside the service area of regular banks, by using last mile agents. The three interventions under the scheme are:-

- Shishu : covering loans upto Rs. 50,000
- Kishor : covering loans above Rs. 50,000 and upto Rs. 5 lakh
- Tarun : covering loans above Rs. 5 lakh and upto Rs. 10 lakh

As of March 2022, the number of loans sanctioned under the Pradhan Mantri MUDRA Yojana (PMMY) was 48.92 million and the amount disbursed was Rs. 3,02,948.49 crore.

Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE):

This scheme is another initiative for reviving rural industries and entrepreneurship. It facilitates credit to MSME units through collateral-free credit facility (term loan and/or working capital) extended by eligible lending institutions to new and existing micro and small enterprises. The Ministry of MSME and Small Industries Development Bank of India (SIDBI) jointly established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises in order to implement Credit Guarantee Scheme for MSMEs. The corpus of CGTMSE is contributed by Government of India and SIDBI. Seventy

five percent of the loan amount to the bank is guaranteed by the Trust Fund. The scheme provides collateral-free loan up to a limit of Rs. 200 lakh for individual MSMEs on payment of a guarantee fee to the bank by them. In the Union Budget of 2022-23 MSMEs sector was allocated an Emergency Credit Line Guarantee Scheme (ECLGS) of Rs. 50,000 crore.

Foregoing analysis shows that India has made sufficient achievement in industrial development during the last one decade but considering the size of rural India, concerted and continuous efforts need to be made. Underutilisation of existing capacity is another challenge which is due to lack of power, raw material and demand, unsatisfactory labour relations, lack of capital and industrial raw materials are some of the problems which are hindering the overall industrial development in rural India. The entrepreneurs are forced to take credit from village money lenders who charge exorbitant rates of interest. As rural industries are labour intensive, they cannot afford to introduce sophisticated techniques and methods of production which are very expensive. Lack of technical know-how, appropriate technology and training create immense problems in the growth of rural industries. Though information technology has substantially developed in the modern India and has penetrated into the rural areas through internet, rural folks hardly availed its benefits because of not having adequate information avenues. Again, procuring and storing raw materials is a tough task for rural industries. Since rural industries are small-sized, they procure raw materials from middlemen at higher prices. Lack of warehousing facilities in the rural sector also costs more towards storing of raw materials.

To accomplish the goal of USD 5 trillion economy as well as AatmaNirbhar Bharat by 2025, rural revitalisation requires a transformative approach that envisions making rural areas a better place to live and work. Growth in rural areas should be driven by agro-based industrialisation, which may gradually shift to the non-farm sector. It will require investment in post-harvest rural activities, such as agro-processing, packaging, cold chains, cold storage and transport. It will also require creating an enabling and favourable regulatory environment to stimulate private

sector investment in rural areas. The efforts of the Government towards augmenting capital investment in agriculture through Agriculture Infrastructure Fund, is of course a welcome step. This calls for creating clusters for specific commodities and developing appropriate supply chains. It is proposed to develop agro-based 'special economic zones' in rural areas to leverage economies of scale and increase income and employment opportunities.

A strong linkage between farm and non-farm sectors needs to be developed for augmenting income and creating jobs in rural areas. Farm-sector driven industrialisation may be evolved from production to processing and marketing. Such a linkage will help the farm sector to produce market-driven commodities, reduce transportation costs, receive remunerative prices at farm gate, and minimise farm waste. Amul is an excellent example of farm-led processing, branding and marketing of milk for various dairy products. Such a model should be replicated for other agricultural commodities in different parts of the country. Collectivising farmers through FPOs and Off-farm Producer Organisations (OFPOs) would also offset scale disadvantages for small and marginal farmers and raise bargaining powers to enhance their incomes. The role of MSMEs will be very critical in developing rural industrialisation. Their share in national gross value added is about 32 percent. They provide employment to about 111 million workers. Keeping the figures in view, huge investment to create necessary infrastructure; effective institutions for enabling MSMEs to have access to technologies, finance and markets; and vocational education and skill development in manufacturing and business planning are required. The role of rural-urban linkages can be a key driver in rural transformation. Strengthening rural-urban linkages, from farms to small towns to megacities, will benefit rural labour, production, distribution, markets, services, consumption and environmental sustainability. New market opportunities created by growing urban areas and new technologies will promote local, regional and global value chains.

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