



# A Study on The Issues and Strategies of Rural Industrialization with Special Reference to Karnataka

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## ABSTRACT

India needs rural entrepreneurship and small enterprise mass production, according to Mahatma Gandhi. The rural population had been embraced by the agricultural and village and cottage businesses, which have been losing market share. As per the Central Statistics Office report, the percentage of agriculture's GDP in 2012–13 was 13.7%, down from 36.4% in 1982. Even though this industry employs more than half a billion people (52% of the labour force), this demonstrates a constant reduction. Food output fell 49.9% from 2011–2012 to 2012–2013, according to the 2012–2013 Indian Economic Survey. Urban amenities, pollution, property values, population density, and other elements are suffering as rural workers move to cities. In this context, the paper proposes ways to accelerate rural industrialization and improve urban conditions.

**Keywords:** Strategies, Issues, Rural Industrialization, Rural Industrial Policy, Decentralization

## Introduction

Village and cottage industries play an important part in the Indian economy. This is the case because India suffers from a shortage of physical capital, high unemployment and underemployment rates, regional imbalances and injustices, unequal distribution of income and wealth, and the underuse or overuse of rural resources. As a result of the high employment levels in these sectors, the government has designated them as the industries with the highest priority for expansion in the context of both five-year plans and industrial policies. Because employment is a way of achieving growth while maintaining social fairness, several programmes and schemes have been designed and put into operation for their development ever since the beginning of the era of planning. It will be helpful in terms of the equitable distribution of wealth and income. The goal of improving the quality of life for people living in rural areas is a massive and challenging one. There are responses to this problem that can be found in rural areas. The basic objectives consist of developing new employment opportunities, increasing residents' incomes, and better using both the primary and secondary resources that are present in rural areas. It is imperative that human resources be redirected away from the already overworked agricultural sector and into secondary sectors. It is a fact that agriculture and other land-based industries, even if they experience rapid expansion, will not be able to employ all rural workers at adequate levels of compensation in the long run, even if the rate of growth is very fast. This is a fact that has been acknowledged. More over one fifth of people living and working in rural areas have jobs that are not related to agriculture. Over the course of the last few years, this percentage has shot up by an incredible amount.

## Rural Industrialization in India

Rashtrapita Mahatma Gandhi coined the term Rural Industrialization while inaugurating the "All India Village Industries Association, AIVIA" in Maganwadi, Wardha, Maharashtra, India. With the passage of time and the emergence of the swadeshi movement, the concept of Rural Industrialization was expanded to include khadi, the forest industry, the food industry, the agricultural industry, and numerous other non-agricultural industries. As of 2011, the Rural Industry contributes 46% of India's national income and accounts for 25–30% of India's Net Domestic Product (NDP). However, the contribution of rural non-agricultural industry to India's national income has been declining since 1970. With the advent of

globalisation and modernization, small-scale industries have also been established in rural areas. In addition to their involvement in agriculture and farming, rural residents are gaining employment opportunities in small-scale industries. They are enrolling in educational institutions and training centres to enhance their knowledge of performing employment responsibilities. It is difficult to implement employment duties in industries. Individuals in rural areas are obliged to participate in training and development programmes designed to enhance their skills and abilities. However, employment in both the industrial and agricultural sectors has had a significant impact on their income and living conditions. This research paper focuses on the significance of rural industrialization, the Industrial Policy Framework, the evolution of small-scale industries, the factors affecting the contribution of small-scale industries to industrial development, the effects of globalisation on rural industrialization, and the difficulties associated with rural industrialization.

### Objectives of the Study

1. To define the significance of rural industrialization
2. to investigate the challenges and solutions related to rural industrialization
3. To provide solutions for bolstering rural industrialization

### Research Methodology

Due to the conceptual nature of the study, the researcher examined secondary data to obtain a basic understanding of the concept. In addition to visiting numerous websites, the researcher reviewed numerous books, journals, and news publications.

### Review of Literature

Poor infrastructure in rural areas has been one of the barriers to rural industrialization in India, as **Desai (2007)** has noted. **Sharma (2006)** noted that in the current climate of globalization, rural financing has been one of the most ignored sectors. In order to certify the caliber of the goods produced by village industries, **Haynes (2005)** proposed a nodal agency. According to **Gopu (2007)**, the unchecked expansion of industries in metropolitan areas has emphasized regional inequities in India. According to **Vivek Paul (2004)**, rural industrial complexes are a workable solution to address the regional imbalance. **Krishna (2003)** favors developing curricula that are focused on the community in order to encourage close collaboration between educational institutions and rural industrial companies. In rural areas, there are solutions to this issue. Creating jobs, raising income, and harnessing and utilizing the primary and secondary resources that rural areas are endowed with are the main goals. It is necessary to diversify human resources away from the already overextended agricultural sector and toward secondary industries. It has been acknowledged that in the long run, even with a high pace of growth, agriculture and other land-based sectors will not be able to provide employment to all rural workers at appropriate levels of pay. More than one-fifth of rural employees are employed in jobs other than farming. This percentage has dramatically increased during the past few years.

### Significance of Rural Industrialization

Rural industries have become a flourishing and dynamic sector of the Indian economy, accounting for nearly 40% of the nation's total industrial production and more than 34% of exports. Currently, over 250 million individuals are employed in the small-scale industrial sector. Our nation's economic leaders recognise the importance of small-scale industries in terms of employment potential, productivity, utilisation of local resources, balanced regional development, etc. According to Dr. Manmohan Singh, the success of our manufacturing in small-scale sectors is the determining factor. Rural industrialization is significant not only for its contribution to the gross domestic product, but also for its exceptional export and job creation results.

### Confabulation on Issues and Strategies

#### Rural industrial policy formulation

Rural industrialization involves moving large- and small-scale operations to rural areas. Urban industrial organisation is unlikely to change. The state should encourage rural industrialization. It doesn't matter if they're little, local, or gigantic. A comprehensive policy should promote rural industrial development. Use rural resources. Before doing anything else, the government should create entire rural infrastructure amenities. Rural industrialization develops a region and its people. New technologies must be implemented methodically. Rural industrialisation requires harmony between primary, secondary, and tertiary sectors. Rural industrialisation should reduce poverty by creating many jobs. Rural industrialization isn't regulated. local industries and Khadi, government-sponsored programmes. Handlooms, sericulture, coir, IRDP, DPAP, PMRY, DRIP, DAAP, and the Artisan Employment Guarantee Programme are trendy.

These programmers each have their own individual objectives, an alternative organizational structure, and a distinct support system in place. These programmers are not interested in fostering the industrialization of rural areas; rather, the growth of particular people or of particular industries is their primary focus. According to Patel (2004), the multiple poverty alleviation programming were not well coordinated, which resulted in the least amount of influence on the fight against unemployment and poverty in rural areas. These computer programmers are in no manner coordinated with one another. Because of this, coordinated efforts in the implementation of the strategy for rural industrialization have been negatively harmed. In other words, the Central Government acts as the principal implementer of certain programmes, while the State Government serves as its agent on the ground and is responsible for carrying out the programme. In certain programming areas, state governments take the lead, while institutional finance organisations are in charge of other jurisdictions. As a direct consequence of this, it is now unknown who is responsible for who. According to the findings of his research, Manon (2007) found that the multitude of plans, parallel governments, government agencies, and financial helpers had little impact on the extreme rural poverty and rising rural unemployment rates. It is essential to devise a specific plan for the industrialization of rural areas, one that accounts for the challenges that may arise along the road.

### **Reversal of the Trend – Towards Decentralization**

Industrialization in rural areas is unquestionably a great idea. Even while economic development has mostly focused on capital-intensive industrialization, centralization, and high levels of unplanned urbanization, efforts to decentralize government and promote rural industrialization seem irrelevant in the current liberalization environment. It seems unlikely that the current administration will have the political will to undertake decentralization and rural industrialization. In other words, successful rural industrialization justifies government intervention, whereas an open economy assumes non-invention of government. Therefore, the challenge is to find a middle ground between these two radically divergent viewpoints.

### **Multiplicity of Technologies and Reservation of Industries**

The threat to rural industrialization is the diversity of technology that exist in every field. For, as an illustration, we have hand-spinning, power-spinning, hand- and power-loom, and weaving. Food processing, building materials, leather goods, soap manufacturing, carpentry and blacksmithing, paper production, food preservation and processing, and other industries all exhibit this diversity. Massive factories with cutting-edge technologies create products on a large scale. This industry is generating essential items to meet the needs of an expanding population and to satisfy the desire to raise living standards and quality of life, whereas small-scale industries not only produce but also employ a sizable number of people and boost the economy's purchasing power. Ganesan (2006) (2006) Small-scale units in Cuddalore districts have benefited rural and village craftsmen, creating 8978 jobs in 1428 units and contributing to exports worth Rs. 10,282 crores in 2005 and 2006. This demonstrates the potential of rural and village industries to combat unemployment and poverty. Accepting one and rejecting the other is not an option. Both must be encouraged and the right circumstances must be established for their long-term growth. While both small and large-scale companies produce the same goods, there is a disagreement over which industry should receive assistance. While large-scale industrialization increases employment opportunities for the rural masses and brings all its benefits to the rural environment, it also contributes to massive production, reduces employment opportunities due to automation, and ultimately leads to unplanned urbanization and environmental degradation. In terms of India, rural industrialization cannot be discounted as being unimportant in the present. Therefore, selecting technology is important. The following strategy is advised for choosing which industry should be supported where:

- Large-scale industries that employ cutting-edge technologies may be supported in certain productive activities that require complex technology, such as construction, infrastructure sectors, shipbuilding, railroads, the electricity sector, telecommunications, and the like.
- Rural industries employing indigenous technology may be supported in regions where human skill predominates. For example, ceramics, carpentry, blacksmithing, embroidery, and coir-based handicrafts.
- Certain industries, including the automotive, healthcare, electronics, pharmaceutical, and chemical industries, may encourage ancillary enterprises.
- In some locations where both can coexist, both minor and large industries may be allowed. The production sectors must be precisely defined in terms of demand viability, job creation, and production capacity. This activity would solve both the employment problem and the productivity issue.
- If areas are correctly identified, reserving specific areas for SSIs may be effective. Concerning the designation of specific locations as SSIs, a number of issues, including quality, must be addressed.
- Standards, production capabilities, price subsidies, and other issues must be addressed with clear and succinct language.

### **Nature of Employment**

The type of employment best suited for advancing rural industrialization must be determined in terms of its character. In rural locations, employment can be created in a variety of ways. They consist of setting up rural industrial estates as well as wage employment in industrial units, wage cum self-employment, and self-employment. Every method mentioned above has benefits and drawbacks of its own. Alagappan (2004) found that the wage cum self-employment pattern of wage payment was successful after researching the employment patterns in rural industries in the Keerapalayam panchayat. As a result, the pattern of job generation must be chosen after assessing the pertinent characteristics that predominate in each pattern.

### **Organizational Difficulties**

Due to their dispersion and disorganisation, rural populations are hard to organise and institutionalise. Either new industries or home-based work must be provided by units to organise rural regions. Some of the government's previous programmes didn't seem to create rural Indian jobs. Industrial co-operatives were founded in 1955 to promote rural industrialization for a variety of crafts. These communities partially centralised rural skill. It failed its re-mission. Because they couldn't guarantee permanent jobs or reasonable compensation, members were quitting these communities. Because of this, most societies are still operational. Maharashtra experimented with multipurpose block-level cooperatives. These organisations eventually became credit societies. Credit alone could not promote rural industrialization.

The third experiment created institutions under the Societies Registration Act of 1860. Khadi founded the first such institution. This organisation has thrived with government assistance. These institutions emphasise management and staff. Since they can't pay well, societies can't hire smart, experienced, and capable administrative professionals. Administratively, it struggles. Because higher pay scales would raise product prices, the state would have to support them. Rural, unorganised labour need a new labour code since current rules focus on organised employment. Maran (2007) suggested altering the rural labour code for unorganised workers to improve living standards. Given this, self-help groups might organise rural work. Banks, nonprofits, and volunteers fund these organisations. The state must sell self-help group items. Self-help groups can organise an unorganised workforce.

### **Technology Gap**

The third experiment created institutions under the Societies Registration Act of 1860. Khadi founded the first such institution. This organisation has thrived with government assistance. These institutions emphasise management and staff. Since they can't pay well, societies can't hire smart, experienced, and capable administrative professionals. Administratively, it struggles. Because higher pay scales would raise product prices, the state would have to support them. Rural, unorganised labour need a new labour code since current rules focus on organised employment. Thus, mechanical and engineering talents must build cutting-edge, effective, and workforce-expanding technologies. Technical Universities, Craft Specialised Institutes, Industrial Technical Training Institutes, and comparable organisations should make similar efforts. This would help craftspeople adopt modern production methods. The planning commission must fund rural industrialization studies. Village and rural industry technical progress research should be directly funded.

### **Promoting Managerial and Entrepreneurial**

**Competencies of Rural Entrepreneurs** One of the causes of failures in the decentralized industrial sector is managerial deficiencies. It is necessary to give local craftspeople and their institutions new managerial and entrepreneurship skills. To help village craftsmen advance their managerial and entrepreneurial skills, appropriate training must be organized. Students from remote colleges and rural craftsmen should take entrepreneurial classes offered by banks and development organizations. They must be educated on the various managerial abilities. In other words, the groups require education on the fundamentals of entrepreneurship and unit administration. Through the creation of entrepreneurial cells, higher educational institutions operating in rural areas can help increase awareness of entrepreneurship, according to Baljith Singh (2003).

### **New Definition for Small and Village Industries**

The village industry has been defined in a number of ways. The Khadi Village Industries Commission suggested defining investment in terms of per capita. Identity crises are still a problem. Since institutional village industries received larger overall investments but less per capita, the definition of the tiny industry stated in 1979 may not apply to them. Redefining small, medium, cottage, and tiny industries were favored by Papola (2002). The term "village industry" needs to be defined precisely from the perspective of globalization. When defining "village and small-scale industries," it may be important to take into account factors like



capital investment, environmental friendliness, the amount of manual labor required to make the product, non-conventional energy use, the ability to provide work at home, value addition, turning waste into wealth, level of energy requirement, high nutritional value, purity, flavor, suitability for the Indian context, participation of women, the absence of child labor, etc. Given the numerous financial and fiscal benefits enjoyed by these industries, a precise definition is necessary to ensure that those who deserve them receive them.

### **Role Clarity**

Certain industries, including coir, sericulture, handloom, Khadi, and handicrafts, were taken up by the Central Government as central programmes, with the State Governments in charge of carrying them out. In other words, the Central Government supported these industries through funding, tax breaks, and policy. The State was responsible for overseeing implementation and making ensuring that rural units had access to infrastructure including water, electricity, road work sheds, and communication. Being passive partners, the State Government showed no interest in marketing these federally funded programmes. It is advised that the initiatives for centrally supported programmes be funded and implemented by the Union Government. The same should hold true for government-sponsored programmes. Additionally, the function of various enabling institutions, including banks, nonprofit organizations, the KVI board, government departments, and state and federal government development organizations, should be unambiguously stated in order to promote rural industrialization.

### **Credit Gap**

Certain industries, including coir, sericulture, handloom, Khadi, and handicrafts, were taken up by the Central Government as central programmes, with the State Governments in charge of carrying them out. In other words, the Central Government supported these industries through funding, tax breaks, and policy. The State was responsible for overseeing implementation and making ensuring that rural units had access to infrastructure including water, electricity, road work sheds, and communication. Being passive partners, the State Government showed no interest in marketing these federally funded programmes. It is advised that the initiatives for centrally supported programmes be funded and implemented by the Union Government. The same should hold true for government-sponsored programmes. Without a strong rural marketing infrastructure, rural industrialization would be a complete failure. Their items cannot have a healthy market as long as rural products do not enter the typical supply chain. For the purpose of marketing the goods produced by village industries, a network should be established.

Half of the marketing issues facing rural industries would be resolved when government entities purchase their needs from the rural marketing system. In his paper, Chellappan (2006) pleaded with the Indian government to buy goods made via self-help mechanisms, saying that doing so would provide rural businesses with enduring relief from headaches. At the district headquarters, rural bazaars have currently been built to promote the products of self-help group entities. It might take debit and credit cards to increase sales from a portion of customers with a steady income. The government must promote and advertise the goods produced by rural industry via their own media, such as AIR, DD, and Newsreel.

### **Recommendations**

The following are the recommendations:

- It is necessary to develop a comprehensive rural industrial policy that addresses the issues and difficulties that rural businesses face.
- Specific industrial activity should be reserved for rural industries only.
- It is important to support labour-intensive industries in rural areas.
- It is necessary to develop a different labour code for disorganised labour.
- It is necessary to use self-help mechanisms to organise the disorganised labour force.
- To assist rural industries in enhancing productivity, quality, technology, and other factors, close ties between technical educational institutions and those sectors are required.
- Through entrepreneurial cells, higher education institutions might take on the mission of educating rural populations about entrepreneurship.
- In order to receive numerous concessions and privileges from the government and funding agencies, small, medium, and tiny industries must be redefined in the contemporary context.
- It is important to clearly define the roles of the federal and state governments in promoting rural industries.
- Different kinds of financing organizations may keep assisting small and marginalised businesses as part of their social responsibility.
- By advising government agencies to compel purchases from rural businesses, the government should ensure marketing support for those industries.

## Conclusion

The Indian village industries were the ones that first achieved self-sufficiency. The proliferation of low-cost consumer goods that were produced by machines, on the other hand, stifled the growth of rural industries, which contributed to an increase in the rate of unemployment. As a result of agriculture's limited capacity to absorb excess labour, the rural people began to migrate to urban districts, which had a severe impact on social, economic, and hygienic aspects of the environment. The pattern became more widespread as the world's population increased at a rapid rate and as more products that were manufactured by machines became available. Due to the current state of affairs, it is essential that labor-intensive industries, which are already widely dispersed across the rural areas of the country, continue to grow. This sector of the economy has the potential to absorb a sizeable proportion of our continuously expanding labour force. Consequently, the industries that are established in our rural areas will usher in a new era of optimism for the rural masses, the majority of whom live below the poverty line, provided that proper planning and implementation are carried out. Last but not least, any endeavour to industrialise the rural spectrum will be fruitless if the regions in question do not have full-fledged infrastructure amenities constructed there. It is essential to keep in mind that fulfilling this requirement is a fundamental precursor for putting this fantastic idea into action.

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