Rural Industrialisation
Its Pattern and Problems

MCS

RURAL industrialisation is generally regarded as an essential and inseparable objective of developmental endeavours in the country. This unanimity of opinion does not, however, extend either to the specific issues sought to be solved or to the suggested methods of accomplishing the process. Besides, there is no agreement on the appropriate pattern of the programme nor adequate appreciation of the various problems likely to arise in its implementation. This note attempts, in the light of the following discussion on objectives and problems, to suggest the outlines of a pattern of rural industrialisation.

The objectives of rural industrialisation are many and variously defined: promotion of decentralisation and balanced industrial growth, removal of economic inequality; devolution of social and political power; eradication of rural unemployment and under-employment; establishment of an agro-industrial base for the integrated development of rural and urban areas, etc. No one can quarrel with these objectives. They are, however, rather general, if not vague. As a framework for discussion, these objectives may be presented explicitly as follows:

1. Involution of a balanced pattern of location of industry by providing facilities for industrial growth at dispersed centres, thus sealing down the increasing social costs of excessive urbanisation.
2. Creation of new employment opportunities in areas of extensive or permanent unemployment.
3. Fuller utilisation of under-utilised resources, including industrial raw materials, manpower and electricity.
4. Initiation of a process of "skill-formation" among the rural people generally, and among rural artisans in particular, so that more productive, modern techniques are popularised in rural areas.
5. Stimulation of local savings and capital formation and inculcation of a spirit of industrial initiative in rural areas.

Objective (1) lays for granted the importance of a balanced pattern of industrial growth. It emphasises the need of providing requisite facilities as almost a precondition for the successful accomplishment of the process. It also focuses attention on the increasing social cost of agglomeration. As a corollary to this may also be added the likely social cost involved in the creation of the necessary prerequisites for industrial growth at dispersed centres.

When related to a specific area, the concept of 'regionally balanced industrial growth' can be identified with the policy of dispersal. There is a general misconception about the process of dispersal and the promotion of small-scale industries at these dispersed centres. In other words, small-scale industries are sought to be located in dispersed centres and thus expected to create new employment opportunities in the dispersed rural tracts, exploiting as it were, local raw materials and catering for a local market, thus ultimately reducing the existing economic disparities and also the one-way flow of population to urban industrial pockets.

FACTOR ENDOWMENT

Successful dispersal of industrial location depends on the factor-endowment situation embracing mutually supporting "matrices" of activity such as the prompt availability of a variety of labour skills, proximity of subcontracting services and suppliers, and facilities of transport, marketing centres and sources of raw materials. The logic of industrial units herding themselves in existing centres of industrial agglomeration is thus largely explained. Dispersal against this background only means transfer of units to an uncongenial atmosphere unless it is preceded by a massive programme of duplicating these external economies at the new locations.

In this context large-scale units are more amenable to dispersal, partly because recent technological developments have freed them from the traditional locational "pulls" and partly also because the marginal cost involved in the creation of some of the important "missing" facilities is likely to be matched by marginal returns, both from the angle of society and of the private entrepreneur. "Ruralisation of large-scale units, which it ultimately amounts to, may be a desirable objective in other spheres, but may not be helpful in promoting the over-all objectives of rural industrialisation. Specifically, they may neither help relieve rural unemployment (of any description) directly and tangibly nor contribute to the rural 'national' income. Illustrative instances are not lacking. Bangalore district, for instance, is the venue of several large-scale undertakings in the public sector. But no visible impact of their location in the area is noticeable, either in terms of the employment opportunities afforded to the local people or in the promotion of ancillary units.

This somewhat anomalous situation may be rectified if the process of dispersal is preceded by an energetic programme for ensuring the requisite external economies and market advantages at these centres. The role of Industrial Estates sponsored by the Government of India in this respect needs to be studied and analysed, though the way these Estates have tended to be located in or nearabout existing cities suggests that even this programme has not successfully got over the influence of the traditional locational "pulls".

COST OF DISPERSAL

Though frequent mention is made of the social cost of urban congestion, rarely is this cost sought to be weighed against the likely social cost involved in the creation of these very 'agglomeration' facilities at dispersed centres. These relate not merely to direct investment of such items as factory accommodation, roads and communication facilities—common production and industry—facility centres, power supply and so on. They also refer to indirect yet tangible items of expenditure such
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as outlays on town-planning, provision of drinking water, sanitary facilities and other social overheads like schools, hospitals, recreational facilities, residential quarters and a host of other items which together ensure an amenable ground for the sustenance of an industrial township.

External economies in the 'agglomerated' centres are credited not only with the fostering of a rapid rate of industrial growth but also, of raising, in the process, the aggregate social productivity of the community. This is corroborated by the history of the industrial evolution of all industrialised countries in the world. Increased social productivity does contribute a distinctive form of 'return'. If tools could be perfected to measure the various phases of such 'return in relation to agglomeration' costs, it could be seen that even here the law of diminishing returns operates. This would undoubtedly be a valuable source of guidance to the planning authorities.

Present knowledge of the economics of agglomeration, however, does not provide us with any clue to various phases vis-a-vis the social cost and return. Perhaps, we shall have to contend with posing the problem in an altered form of 'allocation-choice' and seek answers to such questions as the relative productivity of a given volume of outlay in existing cities and dispersed centres in terms of the rate, of industrial growth and increase in employment opportunities.

AREA RESOURCES

Another important objective of a programme of rural industrialisation is the creation of employment opportunities in chronic pockets of unemployment. The assumption is that the existing rural economy is generally of the 'subsistence' type, characterised by disguised and open unemployment. Development of industries in such areas, it is believed, would not only provide gainful industrial employment to the unemployed and 'redundant' labour, but also tend to increase the productivity of the agricultural economy. It would also obviously reverse the tide of rural exodus. One may point out that it is futile to expect that the areas characterised by severe unemployment will also be suitable for new industries. Besides, as is evident from our earlier discussion, even if it should be possible to locate certain types and scales of industrial organisation, at such centres, the characteristics of the area must be such as to absorb the benefits of their location in terms of employment among others. This presupposes, therefore, an assessment of the type of labour available for employment in terms of technical skill and training, backed by a positive programme to train them up to be employable. This apart, there is also need for an assessment of the type, quality and quantity of various raw materials and other resources locally available so that a matching of area resources could appropriately be undertaken in consonance with the industry-potential of the area.

FULLER UTILISATION

Such an assessment of area characteristics in reference to resource configuration will also be helpful in highlighting their present level of exploitation. This would facilitate an estimation of the under-utilised resources of all sorts. Objective (3) seeks the effective exploitation of underutilised resources such as industrial raw materials based on agriculture and forestry, mineral and other resources of geological origin and the like which may not be effectively used at the moment. This refers also to the fuller utilisation of basic overheads already created in the area such as electric power, which may be presently under-utilised or seasonally utilised, either in agricultural operations or in seasonal industries like the ginning and processing of cotton, pressing of oilseeds or other agriculture-based industries. With the evolution of measures for the fuller utilisation of these under-utilised resources, avenues will also be created for the fuller utilisation of the seasonally unemployed and under-employed rural labour. It is, however, evident that industries sought to be developed as counter-cyclical to agriculture should in themselves have alternate peak and slack phases. Or such industries will have to be of a relatively labour-intensive type, so that the marginal productivity of the capital invested in them does not prove remunerative in terms of returns on investment. An element of subsidy may reasonably be expected to be involved here, but purely from the larger strategy of developmental planning the possibilities of achieving the desired results in alternative forms within the given volume of outlay, needs to be explored. In any case, this is an issue which should be subjected to searching analysis, balancing the probable social and economic returns in terms of the effective utilisation of resources on the one hand and the probable marginal economic and social returns in alternative outlets on the other, for a given volume of investment.

SKILL FORMATION

A programme for 'skill-formation' among the rural populace in general and among rural artisans in particular is regarded as an essential prerequisite for a successful programme of rural industrialisation. It is considered indispensable, first, for overcoming the inherited social rigidities and immobilities among the rural masses, thus creating the necessary conditions for an integrated development of the people and the area. Secondly, and that too more specifically with rural artisans, it will prove to be an important agent in rendering them more productive at the given technological levels and thus finally enabling them to reorient themselves into viable small-scale units at higher levels of technology. The history of industrially developed countries of the world shows that progressive artisans were an important factor in fostering technological advance and increased productivity in the evolutionary phases of these societies. Their potential was fully integrated and exploited by appropriate measures designed to stimulate their inventive capacity, dexterity of workmanship and ability for improved industrial designing.

The anomalous situation observed earlier in specific areas which are not able to benefit from the location of industries will be largely corrected by such a programme of general skill formation. Sustained mobile demonstrations, 'in-planf training facilities and audio-visual displays, coupled with basic and multi-purpose technical schools and polytechnics, should go a long way in assisting this process. A liberal and realistic programme for the grant of stipends, hostel facilities and freeships in appropriate cases must also form an integral part of the programme.

LOCAL SAVINGS

A positive programme for the promotion of industries, especially
of the small-scale type, at localised centres, has the added merit of mobilising local savings. Experience in other developing economies of the West Asian and Far Eastern countries, as in our own, suggests that local small investors can be persuaded to invest in local industrial projects because they can observe, and also participate in, the controlling and organisational functions of these local projects directly and intimately. In the absence of local projects, these small investors are likely either to hoard money, seek more tangible and stable investment outlets as in gold or real estate or spend on items of conspicuous consumption.

As a result of the operation of Plan schemes, there is evidence that an increasing number of small investors show inclination to invest in local industrial projects. Surely, any additional social investment which holds prospects of attracting significant new private capital in its wake can be regarded as sound investment even from the angle of strict ‘cost-return’ considerations. For, the cumulative growth potential of the economy from such investment will be sufficiently higher and the resultant returns in terms of increased employment and production, significantly rewarding.

COORDINATED PROGRAMME

From this discussion of the objectives and their implications, certain broad features of the pattern of a programme for rural industrialisation can be deduced. It is borne out by the discussion that dispersal of industrial locations in rural areas not only should generally conform to the resource-configuration of the area, but also be preceded by vigorous programmes for the provision of social and economic overheads and skill-formation. The programme, besides, should be conceived and implemented as an integrated and coordinated scheme of development of the selected rural areas. The type of industries sought to be developed should normally conform to, and be consistent with, the socio-economic content of the area concerned. Though no preconceived formula of technology and productivity should bias the programme in reference to particular areas, nevertheless, from the viewpoint of expediency and objective of development, it is necessary to aim at relatively higher forms and levels of technological activities. But this should be gradually and patiently worked out.

A two-pronged attack on the problem is conceivable. On the one hand, consistent with area characteristics, evolution of modern industrial lines can be initiated at suitable centres; on the other, the traditional modes of industrial activities can be gradually reoriented, with appropriate State help for overcoming operational problems and effecting positive technological improvements. These two aspects should be viewed as an integral part of the overall problem of industrialisation and be co-ordinated as such.

EFFECTIVE AREA

There is no unanimity of view on the size of the area-unit to form an effective base for the initiation of a programme of rural industrialisation. However, it is generally agreed that, by and large, the area of development should be adequate enough to sustain industrial growth of an appropriate order through local raw materials, local skill and local demand. The concept of a self-sufficient village, sustained and balanced by the development of non-agricultural occupations, is speedily (and perhaps happily) being discarded. The forces released by the process of economic development, the new trends in demand, trade and commerce, rapid improvements in transport and communication have tended to expose the so-called ‘closed’ village economy to external influences. The attempt now is to integrate the economy of a contiguous block of rural areas with local urban centres, so that together they may constitute an effective area of operation for integrated development. The urban areas are visualised as essential nuclei for the surrounding rural areas, serving as seats of organisation, outlets and channels of market for industrial and agricultural produce, sources of raw material supply and as centres for the dissemination of technical and technological know-how.

As to how large this ‘effective area’ should be is not a matter to be decided by considerations of physical extent but by such situations as resource-configuration, the nords of an ‘economic market area’, general levels of income and standards of living and of skill and social and cultural backgrounds. For example, in a few cases, a revenue tehsil may be considered a ‘viable’ area in this sense; but in others, a few contiguous districts may be desirable. In any case an assessment of these factors should normally precede the determination of the area of operation.

Manufacture of Diesel Rail Cars

The question of manufacturing diesel rail cars in the Integral Coach Factory, Perambur, is under consideration, but no formal order has been placed yet. This was revealed by Shri Shah Nawaz Khan, Deputy Minister of Railways, in the Lok Sabha last week. He said that the tentative proposals for the Third Five Year Plan of the Railways envisaged procurement, of 197 diesel rail cars of the following gauges: 67 broad gauge at an estimated cost of Rs 6.4 lakhs per unit; 120 metre gauge at an estimated cost per unit of Rs 3.8 lakhs; and 10 narrow gauge cars at an estimated cost of Rs 2.6 lakhs per unit.

All these rail cars are proposed to be manufactured in the Integral Coach Factory. Designs to suit indigenous manufacture are under preparation.

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