

Managerial Problems of Rural Manufacturers

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A Study with Reference to Nanded District

ABSTRACT

Small-scale industries play a strategic role in the progress of a country. These industries, by and large, represent a stage in economic transition from traditional to modern technology. The transitional nature of this process is reflected in the diversity of these industries. Some small-scale units use simple skills and machinery, while many other units use modern and sophisticated technology. The challenge of economic growth is to accelerate the productivity of agriculture and industry by improving their techniques of production. So far as industries are concerned, this will involve the adoption of a progressively superior technology, particularly in semi-urban and rural areas. It has been concluded that, rural manufacturers in India are facing a number of problems in financial, labour, marketing, technical, general management area. This is the impact of New Economic Policy. In 1991, Government of India launched economic reforms. Dimensions of entrepreneurship were changed after economic reforms brought in India. It is a well-known fact that India's real resource advantages are entrepreneurship, intellectual capital and knowledge workers. So, only the new dimensions of rural entrepreneurship can adjust the changing situations. It is very necessary that government should take a serious cognizance of the issue. Similarly it is also necessary that the rural manufacturers should change their approaches and mindsets and become self sufficient to cope with the changing environment.

1. INTRODUCTION

Mahatma Gandhi has rightly observed, "I know that man cannot live without industry. Therefore, I cannot be opposed to industrialization. But I have a great concern about introducing machine industry. The machine produces much too fast, and brings with it a sort of economic system which I cannot grasp. I do not want to accept something when I see its evil effects, which outweigh whatever good it brings with it. I want the dumb millions of our land to be healthy and happy and I want them to grow spiritually. As yet for this purpose we do not need the machine. There are many, too many idle hands. But as we grow in understanding, if we feel the need of machines, we certainly will have them. We want industry, let us become industrious. Let us become more self-dependent, then we will not follow the other people's lead so much."

Industrialism is, I am afraid, going to be a curse for mankind. Exploitation of one

· nation by another cannot go on for all time.
 · Industrialism depends entirely on your
 · capacity to exploit, on foreign markets being
 · upon to you, and on the absence of
 · competitors.

· Small-scale industries play a strategic
 · role in the progress of a country. These
 · industries, by and large, represent a stage in
 · economic transition from traditional to
 · modern technology. The transitional nature of
 · this process is reflected in the diversity of
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 · techniques of production. So far as industries
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 · particularly in semi-urban and rural areas.

· The basic objectives of these
 · industries are to create immediate and

permanent employment on a large scale at a relatively small cost; to meet a substantial part of the increased demand for consumer goods and simple producer goods, to facilitate the mobilization of resources of capital and skill which might otherwise remain inadequately utilized, and to bring about an integration of the development of these industries with the rural economy on the one hand and with large scale industry on other. Further, these industries are said to offer a method of ensuring a more equitable distribution of the national income and of avoiding some of the problems that unplanned urbanization tends to create.

Basically, small industries are important for national development programmes because they can make a definite contribution to the realization of the central purpose of such a problem, i.e., to bring about "an efficient utilization of natural, human and capital resources of the country for the achievement of pre-determined ends"?

India adopted the New Economic Policy in 1991. This brought in its train the new concepts of globalization, privatization and liberalization. Economic thinking and policy frameworks of the member countries of GATT and WTO. This shifted the paradigm from socialism to capitalism. The government decided to give up the policy of protectionism and infant industry argument could no more work. This has presented new challenges in the area of marketing for the small and tiny entrepreneurs in the rural areas.

2. METHODOLOGY OF RESEARCH

The present study is an empirical survey of descriptive type. Therefore, the researcher has used research methodology to suit an empirical survey. This is a micro level study based on broad general observations. The study is based upon primary survey conducted with the help of structured

questionnaire and personal visits. Secondary data is used wherever necessary. The study is supported by opinion survey.

3. SELECTION OF SAMPLE

The researcher has used the method of strategic random sample selected by convenience. There are 16 talukas in Nanded district. The researcher has selected 25 % sample of the talukas. Thus, 4 talukas have been selected. viz. The researcher has selected 5 villages from the above 4 talukas thus a total of 20 villages have been selected as a sample. The researcher has further selected 5 manufacturers from each of the above villages. Thus a total of 100 manufacturers from rural areas have been selected as a sample.

4. SIGNIFICANCE OF THE PROBLEM UNDER STUDY

Small-scale industries constitute the key link in the process of Socio-economic transformation of underdeveloped social structures. It is, no doubt, true that in the case of dominantly rural countries, processes of transformation either germinating within the rural segment or bringing the later within its orbit of influence will play a crucial role and should, therefore, occupy an important position in their development strategy. It is, however, equally true that rural and urban processes are inseparably inter-woven in the socio-economic fabric and strategies of rural development cannot be operationalised outside the total developmental process straddling the rural-urban continuum. It constitutes a large component of the system of interdependence wherein vertical shifts within the workforce from the primary to the secondary sector articulate the development process. Its contribution to the industrial development is quite unique.

The Government of India, the State and Union Territory governments, and the agencies and institutions sponsored by them

have for long been pursuing a policy of protecting and promoting small industry. Over time, these programmes have become more numerous, more varied and more detailed. These relate to information, consultancy, entrepreneurship development, training, modernization and technology support, industrial estate, raw materials, marketing, finance, reservation, ancillary development, and so on. Small-scale industries can be divided in to following categories : a) Small Scale industries; b) Tiny industries; c) Rural artisans.

The activities of small-scale industries are controlled by District Industrial Centre. Where as the activities of tiny Industries and rural artisans are controlled by Khadi and Village Industries Board.

The rural industry being the second largest organized industry next in importance to textile industry. It plays an important role the economic development of India. The rural industry has a great importance, in its relation to agricultural and industrial economy of the rural region of India. It is an industry, which affects agriculture fundamentally. Therefore, the expansion of rural industry in India is an indispensable factor for the uplift of socio-economic life of India. The rural industry is an agro-based industry, located in rural areas rural industry has provided the most effective instrument for carrying progressive trends into the countryside. In short, socio-economic development depends upon agricultural development, which in turn depends on agro-based industries. This is applicable to rural industry also.

The importance of this industry in the national economy of the country need hardly be stressed. Rural industry occupies a prominent position in the industrial sector of the country. The prosperity of rural industry is linked with the prosperity of the agriculture of rural. The two are interdependent and the welfare and prosperity of each is closely connected with that of the other. In no other

agro-based industry is the relation between the rural industry and agriculture so intimate and vital.

A significant feature of the Indian economy since independence is the rapid growth of the industries in the rural areas. A common classification is between traditional rural industries and modern rural industries. Traditional industries in rural areas include khadi and handloom. Village industries, handicrafts, sericulture, coir, etc. Nowadays, industries in rural areas produce wide range of goods from comparatively simple items to sophisticated products such as television sets, electronic control system, various engineering products particularly as ancillaries to the large-industries. The industries in rural areas are labour intensive.

As a consequence number of programmes were launched from time to time for alleviation of rural poverty like extension of credit to priority sectors, development of Khadi and Village Industries, Self-employment programmes (IRDP, DWCRA, JRY) etc., but unfortunately, these measures have not really reached to most needy beneficiaries particularly the rural poor.

It is obvious that the encouragement of efficient small-scale industries through industrial estates in rural as well as urban areas has never been presented as an alternative to the development of medium and large-scale enterprises. They have always been seen as a complementary element in the industrialization process. And the requirements of the large-industrial enterprises can never be neglected for long periods of time because of their importance to over all economic construction and development.

The justification for rural industrialization is both economic and social. Economic growth may, in the short run, have slowed-down because of the need to transfer technical, financial, and planning resources to rural areas in order to start rural

modernization programmes, in the long run, however, rural industrialization on four grounds enumerated below is likely to contribute to a more rapid economic growth than would otherwise have been possible.

The rural industries have certain inherent advantages for the overall development and they have an important role to play in the national economy. Such as: i) Utilization of Local Resources ii) Limited Capital iii) Less Risk iv) Short Gestation Period v) Consumer Preference to Products vi) Earning of Foreign Exchange vii) Employment Generation viii) Prevention of Exodus of Rural Poor ix) Regional Development and Industrial Dispersal x) Entrepreneurial Development.

In the context of rural development, there is need for encouraging rural entrepreneurship. The importance of village and small industries has been well recognized and their development is one of the items in the 20- point programme which lays emphasis on giving handicrafts, handlooms, small and village industries all facilities to grow and to update their technology. The Reserve Bank of India has advised the banks to ensure that at least 40 percent of their total advances are extended to priority sectors by the end of 1985 and the small-scale sector is one of the sectors within the priority categories. However, it should be noted that the priority sector, including the small-scale sector, needs still higher credit facilities to meet the immediate requirements of development.

5. SMALL SCALE INDUSTRIES IN INDIA

It may be relevant to note that there has been a tremendous growth in output and employment in the small-scale sector in recent years, but the production in this sector is not adequately reflected in the index of industrial production. As a result, industrial growth in the country, moreover, there are statistical problems encountered in obtaining information

from the small-scale sector regularly as the number of units is large, production activities are diversified and located in all part of the country. The following table shows the growth of small-scale industries during the five-year plan period.

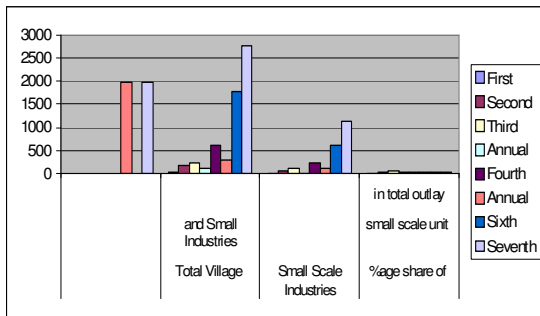
Outlay on village and small industries increased from Rs. 42 crores in the First plan to Rs. 2754 crores in the Seventh plan. The percentage share of small scale industries in total outlay on village and small industries increased from 11.9% in the First plan to 40.7% in the Seventh Plan as depicted in the Table No. 1. The small-scale industry has emerged as the most dynamic sector of Indian Industrial economy accounting for over 55 percent of the total value of industrial production. Over 30 percent of the total country's exports and more importantly provide employment opportunities to over 120 lakh people. All among, it has shown the growth spirit of entrepreneurship. A brief panoramic macro view of the small-scale industry is covered in the Table No. 2.

The basic objectives underlying the development of small and medium scale industries are the increase in the supply of manufactured goods, the promotion of capital formation, the development of indigenous entrepreneurial talents and skills and the creation of employment opportunities. In addition, they include such socio-economic goals as the decentralization and dispersal of manufacturing activities from the metropolitan to the non-metropolitan and rural areas, the reduction of regional economic imbalances within a country and the diffusion of entrepreneurial and managerial abilities and skills as well as of technology throughout a country.

6. MANAGERIAL PROBLEMS OF RURAL MANUFACTURERS

The importance of rural industries has been well recognized; yet, they continue to

Graph No.1.1.
Small-Scale Industries in Successive



face many problems in connection with the procurement of raw materials, technology, credit and marketing of products, etc. Some of the important problems of village industries are discussed below:

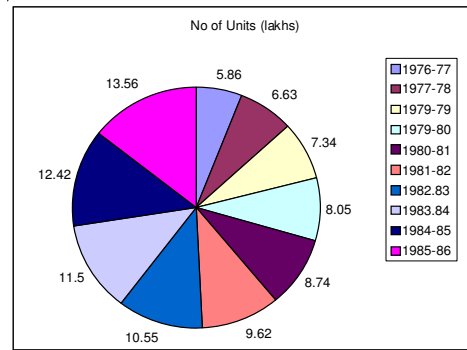
The researcher has surveyed the various managerial problems of rural manufacturers. The major problems faced by rural manufacturers can be classified as follows:

a) General Problems of Rural

Manufacturers: The general problems are related with location, availability of raw material, government policy etc. Socio-economic background can also prove to be a major problem. Therefore the researcher has surveyed the general problems of the sample manufacturers. Following observations can be noted from the Table No. 3 table.

- i. Out of the total 25 rural manufacturers, respondents in Nanded Tq., 15 (60%) are having general problems, whereas 10 (40%) are having general problems.
- ii. Out of the total 25 rural manufacturers, respondents in Kandhar Tq., 7 (28%) are having general problems, whereas 18 (72%) are having general problems.
- iii. Out of the total 25 rural manufacturers, respondents in Hadgaon Tq., 6 (24%) are having general problems, whereas 19 (76%) are having general problems.
- iv. Out of the total 25 rural manufacturers, respondents in Kinwat/Mahur Tq., 17 (68%) are having general problems,

Graph No.2.1



whereas 8 (32%) are having general problems.

Thus, it can be said that on an average 12 rural manufacturers (48%) are having general problems, whereas an average of 13 rural manufactures (52%) are having general problems. The percentage of both is more or less the same.

b) Labour Problems of Rural

Manufacturers: Labour is another common problems of rural manufacturers. The Labour of skilled, semi-skilled and unskilled quality must be available at the right time and at the right prices. The quality of Labour also decides the quality of products. The quality product decides the sales as well as the competitive ability of the rural manufacturers. the labour problems has various aspects. such as Labour Requirement, Labour Source, Labour Availability. These are discussed here as follows:

The researcher has surveyed the labour problems of the sample manufacturers. Following observations can be noted from the Table No. 4 table.

- i. Out of the total 25 rural manufacturers, respondents in Nanded Tq., 20 (80%) are having labour problems, whereas 5 (20%) are having labour problems.
- ii. Out of the total 25 rural manufacturers, respondents in Kandhar Tq., 10 (40%) are having labour problems, whereas 15 (60%) are having labour problems.
- iii. Out of the total 25 rural manufacturers,

respondents in Hadgaon Tq., 15 (60%) are having labour problems, whereas 10 (40%) are having labour problems.

- iv. Out of the total 25 rural manufacturers, all the respondents in Kinwat/Mahur Tq., 25 (100%) are having labour general problems.

Thus, it can be said that on an average 17.5 rural manufacturers (70%) are having labour problems, whereas an average of 7.5 rural mnuufactures (30%) are having labour problems.

c) Financial Problems of Rural

Manufacturers: The financial problems consists of a number of factors such as availability of capital, Bank policies, rate of interest, liquidity, repayment of debts, recovery etc. Capital source is an important factor of production. The capital source of rural manufacturers are different. The researcher has enquired about the financial problems of the rural manufacturers and the responses are shown in the table No. 5.

Following observations can be noted from the table.

- i. Out of the total 25 rural manufacturers, respondents in Nanded Tq., 5 (20%) are having financial problems, whereas 20 (80%) are having financial problems.
- ii. Out of the total 25 rural manufacturers, respondents in Kandhar Tq., 18 (72%) are having financial problems, whereas 7 (28%) are having financial problems.
- iii. Out of the total 25 rural manufacturers, respondents in Hadgaon Tq., 16 (64%) are having financial problems, whereas 9 (36%) are having financial problems.
- iv.. Out of the total 25 rural manufacturers, all the respondents in Kinwat/Mahur Tq., 22 (88%) are having financial problems, whereas 3 (12%) are not having financial problems.

Thus, it can be said that on an average 15.25 rural manufacturers (61%) are having financial problems, whereas an average of 9.75 rural manufactures (39%) are having financial problems.

d) Marketing Problems of Rural

Manufacturers: Marketing problems consists of various issues such as competition with MNCs, lack of advertisement, logistics problems, quality problems etc. The researcher has surveyed the marketing problems of the sample manufacturers. This is shown in the Table No. 6. An analysis of the table shows that,

- i. Out of the total 25 rural manufacturers in Nanded Tq., only 4 (16%) are having marketing problems, whereas 21 (84%) are not having marketing problems.
- ii. Out of the total 25 rural manufacturers in Kandhar Tq., only 13 (52%) are having marketing problems, whereas 12 (48%) are not having marketing problems.
3. Out of the total 25 rural manufacturers in Hadgaon Tq., only 15 (60%) are having marketing problems, whereas 10 (40%) are not having marketing problems.
4. Out of the total 25 rural manufacturers in Kinwat/Mahur Tq., only 18 (72%) are having marketing problems, whereas 7 (28%) are not having marketing problems.

Thus, on an average Majority (13) of the rural manufacturers are having marketing problems.

e) Managerial Problems of Rural

Manufacturers: Managerial problems consists of a number of issues related with entrepreneurial abilities, leadership qualities, motivation and socio-economic background. The researcher has revealed from the responses to the primary survey are shown in the table No. 7. An analysis of the table shows that:

- i. Out of the total 25 rural manufacturers in Nanded Tq., only 10 (40%) are having managerial problems, whereas 15 (60%) are not having managerial problems.
- ii. Out of the total 25 rural manufacturers in Kandhar Tq., only 20 (80%) are having managerial problems, whereas 5 (20%) are not having managerial problems.

- iii. Out of the total 25 rural manufacturers in Hadgaon Tq., only 23 (92%) are having managerial problems, whereas 2 (8%) are not having managerial problems.
- iv. Out of the total 25 rural manufacturers in Kinwat/Mahur Tq., only 21 (84%) are having managerial problems, whereas 4 (16%) are not having managerial problems.

Thus, on an average Majority (74) of the rural manufacturers are not having managerial problems.

7. CONCLUSION

Thus it can be concluded that, rural manufacturers in India are facing a number of problems in financial, labour, marketing, technical, general management area. This is

the impact of New Economic Policy. In 1991, Government of India launched economic reforms. Dimensions of entrepreneurship were changed after economic reforms brought in India. It is a well-known fact that India's real resource advantages are entrepreneurship, intellectual capital and knowledge workers.

So, only the new dimensions of rural entrepreneurship can adjust the changing situations. It is very necessary that government should take a serious cognizance of the issue. Similarly it is also necessary that the rural manufacturers should change their approaches and mindsets and become self sufficient to cope with the changing environment.

Table No.1
Small-Scale Industries in Successive Five Years Plan

Plans	Year	Total Village and Small Industries	Small Scale Industries (Crores)	% age share of small scale unit in total outlay
First	1951-56	42	5.20	11.9
Second	1956-61	187	56.00	29.9
Third	1961-66	241	113.06	46.9
Annual	1966-68	126	5.48	42.9
Fourth	1974-79	612	221.74	36.3
Annual	1979-80	290	104.81	36.2
Sixth	1980-85	1780	616.10	34.6
Seventh	1985-90	2754	1120.51	40.7

Source : Five Year Plan Documents

Table No. 2
Growth of small scale Industries

Years	No of Units (lakhs)	Employ-ment (Millions)	Production at current prices (Rs. Crores)	Exports (Rs.Crores)	Export as a % age of Production
1976-77	5.86	5.6	12,400	766	6.17
1977-78	6.63	5.98	14,300	545	5.61
1979-79	7.34	6.4	15,790	1,069	6.77
1979-80	8.05	7.0	21,635	1,226	5.67
1980-81	8.74	7.1	28,060	1,643	5.85
1981-82	9.62	7.5	32,600	2,070	6.35
1982-83	10.55	7.9	35,000	2,095	5.99
1983-84	11.50	8.4	41,300	2,350	5.69
1984-85	12.42	9.0	50,520	2,563	5.07
1985-86	13.56	9.6	61,282	2,785	4.55
1986-87	14.64	10.1	72,250	3,631	5.03
1987-88	15.86	10.7	87,300	4,535	5.19
1988-89	17.12	11.3	106,400	5,681	5.34
1989-90	18.27	12.00	118,210	6,062	5.69

Source : RBI, Report on Currency and Finance, 1979-80, 1989-90.

Table No. 3
General Problems of the Sample Manufacturers (No. of Persons)

Sr. No.	Particulars	Sample Talukas									
		Nanded		Kandhar		Hadgaon		Kinwat/Mahur		Total	Average
		No.	%	No	%	No	%	No	%	No	%
1	Yes	15	60.00	7	28.00	06	24.00	17	68.00	45	12
2	No	10	40.00	18	72.00	19	76.00	8	32.00	55	13
	Total	25	100.00	25	100.00	25	100.00	25	100.00	100	25

Source : Primary Survey

Table No. 4
Labour Problems of the Sample Manufacturers (No. of Persons)

Sr. No.	Particulars	Sample Talukas									
		Nanded		Kandhar		Hadgaon		Kinwat/Mahur		Total	Average
		No.	%	No	%	No	%	No	%	No	%
1	Yes	20	80.00	10	40.00	15	40.00	25	100.00	70	17.5
2	No	5	20.00	15	60.00	10	60.00	0	0	30	7.5
	Total	25	100.00	25	100.00	25	100.00	25	100.00	100	25

Source : Primary Survey

Table No. 5
Labour Problems of the Sample Manufacturers (No. of Persons)

Sr. No.	Particulars	Sample Talukas									
		Nanded		Kandhar		Hadgaon		Kinwat/Mahur		Total	Average
		No.	%	No	%	No	%	No	%	No	%
1	Yes	5	20.00	18	72.00	16	64.00	22	88.00	61	15.25
2	No	20	80.00	7	28.00	9	36.00	3	12.00	39	9.75
	Total	25	100.00	25	100.00	25	100.00	25	100.00	100	25

Source : Primary Survey

Table No. 6
Marketing Problems of the Sample Manufacturers (No. of Persons)

Sr. No.	Particulars	Sample Talukas									
		Nanded		Kandhar		Hadgaon		Kinwat/Mahur		Total	Average
		No.	%	No	%	No	%	No	%	No	%
1	Yes	4	16.00	13	52.00	15	60.00	18	72.00	50	13
2	No	21	84.00	12	48.00	10	40.00	07	28.00	50	12
	Total	25	100.00	25	100.00	25	100.00	25	100.00	100	25

Source : Primary Survey

Table No. 7
Managerial Problems of the Sample Manufacturers (No. of Persons)

Sr. No.	Particulars	Sample Talukas									
		Nanded		Kandhar		Hadgaon		Kinwat/Mahur		Total	Average
		No.	%	No	%	No	%	No	%	No	%
1	Yes	10	40.00	20	80.00	23	92.00	21	84.00	74	18.5
2	No	15	60.00	05	20.00	02	08.00	04	16.00	26	6.5
	Total	25	100.00	25	100.00	25	100.00	25	100.00	100	25

Source : Primary Survey