

# INDUSTRIAL SCENARIO OF RURAL ANDHRA PRADESH WITH SPECIAL REFERENCE TO EAST GODAVARI DISTRICT

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## ABSTRACT

Rural industries are those, which match the human and natural resources of the area and operate on a scale appropriate to the market to be served. Rural industries should be defined only on the basis of location criterion in view of rural industrialisation. To break the vicious circle of poverty, unemployment, inequality and urbanisation, rural industrialisation is essential, especially when the emphasis on a policy macro-economic growth has proved ineffective in generating balanced socio-economic development. Rural industries need as special mention since their importance in the Indian context gets further enhanced. The employment opportunities can be created with accelerated phase of industrial development as well as enhancing the skills of the people. Hence, CII AP has set the vision to strengthen the workforce by envisioning 35 Million Employment by 2022, focusing on the nonfarm sectors. To achieve this there is a need to promote labour intensive production units in the rural areas. Creation of more employment opportunities in rural and semi urban areas will reduce the migration of people from rural areas to urban areas for search of employment.

**Keywords: Rural Industries, Infrastructure, Employment, Investment, Turnover, Clusters**

## 1.0 INTRODUCTION

Rural industry is a much wider term on which rural industrialisation depends. Rural industries are those, which match the human and natural resources of the area and operate on a scale

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appropriate to the market to be served. In brief, it is a process of the improvement of industries in the development of an area and also of the participation by area factors and agents in the growth of industries. (Jain O.P.1975, p14).

The identification of village industries has been recently modified by the government so as to enlarge its scope. Accordingly, any industry located in rural area, village' or town with a population of 20,000 and below investment of Rupees three crores (3crores) in plant and machinery is classified as village industry. As a result of the widening of the scope of village industries, 41 new village industries have been added, making a total of 101 as against 70 industries earlier. Sometimes small scale industry and rural industry are treated as practically the same. But it is also unfortunate, because small scale manufacturing goes not only to villages, but also to urban areas. Rural industries should be defined only on the basis of location criterion in view of rural industrialisation.

### **1.1 Need for Rural Industry**

- i) Large scale disguised rural unemployment is one of the main characteristics of most of the densely populated underdeveloped economy. (Ragnar Nurkse: 1984, pp32-36) These economies suffer from the problem of rural over-population, mainly dependent on agriculture as a means of livelihood.
- ii) With unchanged techniques of production, a large part of the population engaged in agriculture and allied activities may be removed without reducing the output.
- iii) Disguised rural unemployment is the main obstacle to economic development. A solution for the problem lies in rural industrialisation through which productive employment may be provided for excess rural population.
- iv) The concentration of industries in urban areas increases the disparities between the rural and urban income levels. Rural industrialisation serves as an effective means of reducing rural-urban disparities. It stops migration of people from rural to urban areas and accelerates the process of rural development.
- v) In brief, to break the vicious circle of poverty, unemployment, inequality and urbanisation, rural industrialisation is essential, especially when the emphasis on a policy macro-economic growth has proved ineffective in generating balanced socio-economic development. Rural industrialisation plays an effective role in rural transformation, generation of balanced socio-economic development through an increase in gainful employment and a rise in income levels in the region. Rural industrialisation therefore is a part of the larger problem of regional development.

vi) Rural industries need as special mention since their importance in the Indian context gets further enhanced.

## **2. LITERATURE REVIEW**

A country is said to be economically developed nation only if the fruits of economic development can be equitably distributed both in rural and urban areas. But in practice, the benefits of development have been enjoyed by the people of urban areas, rather than the rural because most of the industries are generally located in and around urban areas. But nearly three- fourth of India's population lives in rural areas and more than two-third of the workers are engaged in agriculture and allied activities which provide employment only for 180 days' (Krishnan Kumar: 1991, p.146).

The pressure on agriculture is mounting, leading to unemployment, seasonal unemployment and under employment in the rural areas (M.K.Khanna,1992, p.10). Moreover, out of the total industrial employment in the country, the large and medium industries hardly account for about 20 percent, the remaining 80 percent employment is provided by small scale industries including cottage industries. In this context, rural industries are regarded as the thrust area of employment generation.

Generally rural industry means artisan-based traditional industries running on a household basis. But this concept of rural industry is misleading. (Eugene Stanley and Richard Morse: 1965, p.910).

The subject of rural industrialisation is a study of location of industries in rural areas. The location of a unit or units is all that should matter, that is, if a unit is located in the rural area, it should be termed as rural industry. (Thapar S. D:1972, pp. 98-99)

The meeting of the expert group organised by the United Nations Centre for Regional Development held at Nagoya on 17-21 October 1983, felt that all those industries which can be developed in rural and urban centres should be included as elements of rural industry provided they can become instruments of rural industrialisation. But urban industries (located in small towns) should not be treated as rural industries in countries like India and China where 76 percent and 79 percent of the total population respectively are the rural population. So only that unit located in rural area should be treated as rural industry. (Mishra. R. P:1982, p.2)

## **3. OBJECTIVES**

1) To find out whether the available industrial infrastructure facilities are adequate for the growth of rural industries in East Godavari District.

2) To find out the role of the Different District Industries Boards in promoting rural industries in East Godavari District.

3) To find out how the financial and other problems encountered by the rural industries hinder their progress.

#### **4.0 RESEARCH METHODOLOGY**

##### **4.1 Hypothesis**

1. The role of DIC is significant for the promotion of rural industries in East Godavari District.

2. The growth of rural industries in East Godavari District is severely affected by inadequate finance.

3. There are good growth prospects for the rural industries in East Godavari District.

##### **4.2 Area of Study**

As the topic of study is rural industries, the study has covered 7 existing Clusters of Micro and Small Enterprises in the East Godavari District.

##### **4.3 Source of Data and Period of Study**

Secondary data concerning number of registered units, employment production, investment, of rural industries in East Godavari District for a period of 15 years (1996 - 2011) were collected from the reports of Andhra Pradesh – An Economic Roundup March – 2001, Commissioner of Industries - Hyderabad, Industrial potential survey- East Godavari District --Development of Industries - Government of AP - Hyderabad – 2002, and Ministry of MSME- Hyd- AP.

#### **5.0 PROMOTING INDUSTRY IN RURAL ANDHRA PRADESH**

In Andhra Pradesh more than 70% of the population is residing in the rural areas. The state is agriculturally prosperous, endowed with fertile land, water, conducive agro-climatic conditions. The state is among the largest producers of food grains, fruits, vegetables, cotton, maize, dairy and poultry products in the country. It stands first in seed production, egg production, paper & pulp production, besides others. Despite of the state's impressive economic performance and its immense potential, the growth process has not been inclusive.

During the year 2009-10, according to APDES (Andhra Pradesh Directorate of Economics & Statistics) Agriculture's contribution to State GSDP is 22.18% and the sector employs 62.17% of the working population. The state is witnessing drastic decline in Agriculture's contribution to GSDP whereas corresponding decline of population dependence on Agriculture has been slow, which means majority of the population's economic condition is

declining. This trend also indicates limited participation of majority of the population in economic activity and absolute need for necessary action.

With Andhra Pradesh emerging as one of the fast growing economies in India we need to relook at our journey to ensure that the fruits of this economic growth are enjoyed by all sections of the people. CII believes that the inclusive growth can better achieved by creating employment opportunities for everyone in the society. The employment opportunities can be created with accelerated phase of industrial development as well as enhancing the skills of the people. Hence, CII AP has set the vision to strengthen the workforce by envisioning 35 Million Employment by 2022, focusing on the nonfarm sectors.

To achieve this there is a need to promote labour intensive production units in the rural areas. The workforce while working at the manufacturing units can also look after the agriculture and this would not only facilitate equitable economic growth but also ensures food security to the country's growing population. CII strongly believes that creation of more employment opportunities in rural and semi urban areas will reduce the migration of people from rural areas to urban areas in search of employment and would ease out the burden on the urban cities which have fast emerged as traffic islands.

Achieving full employment will require a reorientation of Government priorities, policies and action. The goals could be set on a sector-wise basis while simultaneously planning need to be integrated around a central vision. It is important for the Government, CII and other stakeholders to work together to have achieve this goal. This is possible only through collaborative efforts of all the stakeholders.

**5.1 Employment and Employability:** Employment and Employability are two critical aspects of sustainable inclusive economic growth. CII believe that the inclusive economic growth can better be achieved by creating employment opportunities for everyone in the society. The employment opportunities can be created with accelerated phase of industrial development as well as enhancing the skills of the people. Hence, CII Andhra Pradesh sets the vision to strengthen the workforce by envisioning 35 Million Employment by 2022, i.e., when India@75. CII strongly believes that creation of more employment opportunities in rural and semi urban areas will reduce the migration of people from rural areas to urban areas for search of employment. To promote conducive environment for manufacturing industries to come in the state, the government should develop industry responsive and readily employable manpower focusing on local resources.

The total population of Andhra Pradesh is projected to increase from 84.74 million in 2011 to 92.27 million by 2022. The working age population constitutes 55.83 million in 2011 which

is projected to increase upto 61.2 million by 2022. Presently around 40 million people are employed in various sectors of the economy, both in the organized and un-organized sectors and also agricultural and non-agricultural sectors put together, in the age group of 15-59 years. Out of these, more than half are in the agricultural sector.

By 2022 it is projected that around 28 million would be employed in the non-agriculture sector and the agricultural workforce would accordingly reduce to around 17 million. Hence the total economically active working age population would be around 45 million in Andhra Pradesh. If better opportunities are created in non-agriculture activities there would be a remarkable shift from agriculture to non-agriculture sector. However, through our efforts of rural industrialization and supplementing agriculture workers with additional income through industrial employment, we could have a vision to see 35 million employed through industrial activities in the non-agriculture sector, which is 7 million higher than the projected increase of 28 million.

However, there has been a significant trend towards migration of people from rural areas to urban areas. Therefore, the demographic factor has considerable economic significance in generating employment and ensuring inclusive growth. Creation of industry based employment opportunities in rural and semi urban areas will help to accelerate the economic growth.

## 5.2 Industrial Scenario in Andhra Pradesh

TABLE 1

Percentage change over previous year in gross capital formation in Andhra Pradesh and All India

Year	Andhra Pradesh	All India
1994-95	32.00	21.29
1995-96	11.68	30.41
1996-97	09.21	12.75
1997-98	00.42	09.40
1998-99	19.49	04.30
Average Annual Growth	14.56	15.63

Source: Andhra Pradesh – An Economic Roundup March, 2001.

**Interpretation:** The above table indicates the industrial scenario in Andhra Pradesh. The gross capital formation has come down 19.49% in 1998-99 as against 32.00 per cent in 1994-95. The average annual growth rate is 14.56% as against 15.63 % in all over India.

TABLE 2

Registration of Small Scale Units in AP 1990-91 to 2000-01

Year	No .of SSI Units Set up	Investment Rs. In Crores	Employment In lakhs
1990-91	14,836	161.86	1.83
1991-92	16,625	140.71	1.68
1992-93	14,645	131.74	1.48
1993-94	16,211	125.87	1.82
1994-95	17,191	137.07	1.25
1995-96	19,869	183.75	1.28
1996-97	23,307	207.60	1.56
1997-98	30,263	261.40	1.62
1998-99	29,901	268.74	1.62
1999-00	30,962	298.16	1.62
2000-01	34,539	697.75	1.62
<b>Total</b>	<b>2,48,349</b>	<b>2164.65</b>	<b>17.38</b>

Source: Commissioner of Industries Hyderabad

**Interpretation:** The above table shows that a total of 2,48,349 units have generated a total employment of 17.38 lakh during the 11 years period from 1990 to 2001 with a total outlay of Rs.2,164.65 Crores. Out of which, 1.83 lakh is the highest employment generation by the total number of units of 14,836 with a total outlay of Rs.161.86 Crores during 1990-91 and 1.25 is the least employment generation by the total number of units of 17,191 with a total outlay of Rs.137.07 Crores during 1994.95. Whereas, in the year 2000-01, the employment generation is just 1.62 lakh by the total no of units of 34,539 (almost three times the units in 1990-91) with a total outlay of Rs.697.75 Crores (almost four times the outlay in 1990-91). It indicates that the SSIs have tremendous shift towards mechanisation from the labour intensive.

### 5.3 Industrial Scenario of East Godavari District

TABLE 3

Occupational Distribution of working population in East Godavari District.

Sl.No.	Occupation	Males	Females	Total
1	Cultivation	568222	274150	842372
2	Agricultural Labourers	568222	274150	842372
3	Workers in live stock Forestry, Fishing etc.,	41275	1820	43095
4	Workers engaged in Mining and Quarrying	2810	1079	3889
5	Workers engaged in Mfg. and Processing house hold industry	36973	17481	54454
6	Workers engaged in Mfg. and processing in other house hold Industry	80867	7091	87958
7	Workers engaged in Construction	60504	1616	18120
8	Workers engaged in Trade & Commerce	121020	16572	137602

9	Workers engaged in Transport, Storage & Communications	49734	726	50460
10	Workers engaged in other Services	143416	40838	184251
11	Marginal Workers	7308	68774	76082
12	Non- Workers	982996	1810849	2793845

Source: Industrial potential survey- East Godavari District. Development of Industries, Government of AP, Hyderabad - 2002

TABLE 4

Year Wise Trend of Units Registered, Employment, and Investment

Year	No. of Units Registered	Employment in Nos'	Investment in Lakh Rs.
1996-97	7286	62895	10982
1997-98	7527	64793	42456
1998-99	7764	66789	17612
1999-2000	NA	NA	NA
2000-01	7932	69565	21188
2001-02	7979	70040	22200
2002-03	8013	70710	23451
2003-04	8056	71148	24295
2004-05	8106	72454	25083
2005-06	8151	173315	26619
2006-07	8279	75708	31493
2007-08	8411	79039	41462
2008-09	8582	82659	54948
2009-10	9370	21812	5567
2010-11	10029	47963	2740

Source: Web- <http://msmehyd.ap.nic.in>

**Interpretation:** The above table shows that the year 2005-06 has a remarkable employment generation of 1,73,315 nos' by a total number of units of 8151 with a total outlay of Rs.26,619 lakh and the year 2009-10 has a very insignificant employment generation of 21,812 nos' by a total number of units of 9370 with a total outlay of Rs.5,567 lakh.

TABLE 5

Details of Existing Micro & Small Enterprises and Artisan Units in the District

Type of Industry	No. of Units	Employment
Cotton textile	97	4103
Wood/wooden based furniture	331	2264
Paper & Paper products	48	6020
Chemical/Chemical based	14	408
Rubber, Plastic & petro based	28	1126
Metal based (Steel Fab.)	47	1325
Engineering units	38	1038



Electrical machinery and transport equipment	4	103
Others	5	165

Source: Web- <http://msmehyd.ap.nic.in>

**Interpretation:** The above table shows that there are greater employment opportunities in paper and paper based products enterprises and next to it are the cotton textile, wood/wooden based furniture enterprises, metal based enterprises, rubber, plastic and petro based enterprises, and engineering enterprises.

TABLE 6

Existing Clusters of Micro and Small Enterprises in East Godavari District

Sl. No.	Name of the Cluster	Principle Products	No. of Units	Turnover	Employment	Exports to
1	East Godavari Rice Mill Cluster	Boiled Rice, Milled Normal Rice, Broken, Rice Bran Oil, Rice Flour	Micro 400 Small 134 Medium 16 Total 550	Rs.8000 Million	20,000	USA & Gulf
2	Samalkota Sago Cluster	Sago & Starch	Micro 10 Small 21 Total 31 (presently 50% in operation)	Rs.1000 Million	1,500	Belgium, Italy & USSR
3	Kakinada Mango Jelly Cluster	Mango Jelly	750	Rs.80 Million	3000	Germany, Gulf, UK, & Netherlands
4	Pickle Manufacturing Cluster	Pickles	225	Rs.75 Crores	600	No direct exports
5	Rajahmundry Graphite Crucibles Cluster	Clay Bounded Graphite Crucibles in Different Size from 1 to 500	Micro 40 Small 15 Total 55	Rs. 85 Million	800	Bangladesh
6	East Godavari Coconut Cluster	Milling & Edible	200	Rs.800 Million	2000	Gulf & European Countries
7	Rajahmundry Refractory Cluster	Clay Bricks, Ceramic Solid/Hallow Bricks, Acid Rain Bricks and others	50 EG Dist 33 WG Dist Total 83	Rs.50 Million	800	No Exports

Source: Web- <http://msmehyd.ap.nic.in>

**Interpretation:** The above table shows that the East Godavari Rice Mill Cluster is the biggest contributor of employment generation of 20,000 Nos' with a total number of units of 550 and a turnover of Rs.8,000 Million, whereas the remaining six clusters together could be able to contribute an employment generation of only 8,700 Nos with a total number of units of 1344 with a total turnover of Rs.2022.5 Million.

## **6.0 MAJOR CHALLENGES FOR MSMEs:**

### **6.1 High Cost of Credit**

Access to adequate and timely credit at a reasonable cost is the most critical problem faced. The major reason for this has been the high risk perception among the banks about and the high transaction costs for loan appraisal.

### **6.2 Demand for Collateral Requirements**

Traditionally banks have been the largest source of finance for SMEs. Bankers in India who have been part of a conservative lending system based on prudent norms designed to minimize non-performing assets (NPAs) have been risk averse in their approach to lending. Many entrepreneurs mentioned that Banks are not accepting the rural assets as collateral and are demanding for 200% urban assets as additional collateral even when the unit is located in rural areas.

### **6.3 Migration**

There is a large scale migration of people and capital to the particular cities is due to concentration of highly growing business/industry in these cities. As a result the rural areas are deprived of skilled labour and local capital for developing rural industry. Even small cities/towns are losing their relative advantage over the villages to the larger cities. Therefore the growth of larger cities is becoming a double-edge knife cutting growth of both the rural villages and small towns.

### **6.4 Budget Allocation**

The ratio of urban to rural in terms of population is 100:27 (for every 100 rural persons there are 27 urban persons) in the state, whereas the ratio of urban budget expenditure to that rural is 100:77. It indicates more than the double per capita expenditure on urban development when compared to rural development

## **7. SUGGESTIONS**

i) The state Government's concentrated efforts are needed to strengthen the rural infrastructure relating to education, health care, storages, transport, telecom, power and water.

- ii) Government should put dedicated power lines from the grid for the industrial consumption. AP Transco should assess the power demand on regular basis and procure additional power through various sources and supply to Industrial consumers.
- iii) The road connectivity between the rural roads and NHAs should be improved on priority basis.
- iv) Establishment of Specialized Skills Schools in select districts wherein school drop outs would be trained in vocational skills State Government should work closely with local industry associations in assessing the skill demand on timely basis. To promote industry in the rural areas State Government could support the manpower training cost of the organizations.
- v) State Government should suggest the Reserve Bank to encourage commercial banks to lend credit to the industrial units located in rural areas or backward districts.
- vi) Confederation of Indian Industry (CII) recommends the establishment of Rural Industrial Promotion Cell at the state level and a nodal officer in each district with sufficient authority.
- vii) CII strongly believes that creation of more employment opportunities in rural and semi urban areas will reduce the migration of people from rural areas to urban areas for search of employment. To promote conducive environment for manufacturing industries to come in the state, the government should develop industry responsive and readily employable manpower focusing on local resources.

## 8. CONCLUSION

The study concludes that the rural Andhra Pradesh and East Godavari District has greater potentiality for promoting and developing industries keeping in view of the abundant resources and infrastructural facilities. The unemployment gaps can be filled rapidly by promoting labour intensive units in the rural areas. And also, the decreased contribution of agriculture to GSDP can also be met with rural industrialisation.

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