

Production, Sale and Employment Trends in village industries: A Study of Punjab

Dr Mini Goyal

Professor
Department of Economics and Sociology
Punjab Agricultural University, Ludhiana

Dr Pratibha Goyal

Professor
School of Business Studies
Punjab Agricultural University, Ludhiana

Dr Sukhmani

Assistant Professor
School of Business Studies
Punjab Agricultural University, Ludhiana

Abstract

Development of village industries is important on account of growing population pressure in rural areas, rapid expansion of labour force especially among the marginal farmers and landless agricultural labourers, inadequate opportunities for non-agricultural work, limitation of organized sector in absorbing labour force, prevalence of substantial under employment on one hand and the capacity of village industries for creating employment opportunities on the other hand. The present study was undertaken to examine the growth of production, sale and employment in these industries in the pre-liberalization and post-liberalization periods and to analyse the problems hampering their growth. Time series data regarding production, sale and employment were taken from secondary sources and was analysed with the help of compound annual growth rates and percentages. It was found that compound annual growth rates of production, sale and employment have come down in the post liberalization period in case of all village industries except in 'khani oil' and 'non edible oil and soap'. Poor availability of credit, lack of marketing facilities, competition from medium and large scale industries etc are the major problems of this sector.

Keywords:

Village industries, Pre-liberalisation, Post-liberalisation, Employment

Introduction

India is a country of villages. For majority of its population, agriculture and allied activities constitute major occupation. To eradicate poverty and to generate employment in rural areas, village industries, also known as cottage industries, have been given an important place in development plans of the country. Even before independence of the nation Mahatma Gandhi founded All India Village Industries Association in 1935 and wrote in Harijan, "there is no doubt in my mind that in a country like ours, teeming with millions of unemployed, some thing is needed to keep their hands and feet engaged in order that they can earn an honest living. It is for them that khadi and cottage industries are needed" (Gandhi, 1934). Village industry is any industry located in a rural area which produces goods or renders service with or without the use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed one lakh rupees or such other sum as may, by notification in the official gazette, be specified

from time to time by the central government (www.kvic.org.in). The KVIC has broadly grouped various village Industries under seven heads for the purpose of implementation of its programmes. These industries are – mineral based industry (pottery and lime), agro based and food processing industry (pulses and cereals processing, gur khandsari, palmgur, fruit & vegetable processing and Oil), **polymer and chemical based industry** (leather, non edible oils and soap, cottage match and plastic), forest based industry (medicinal plants and bee keeping) **hand made paper and fibre industry**, **rural engineering and bio technology industry** (non conventional energy, carpentry and blacksmithy and electronics) and service industry (village industry coordination).

Studies reveal that in India unemployment growth ratio is increasing with a rapid speed. In the year 1961 the growth ratio was 3.2 percent, in 1971 4.6 percent, in 1981 it was 5.2 percent while in 1991 the growth was 6.4 percent. It rose to 7.8 percent in 2001 and to 9.4 percent in 2011 (Nath, 2013). Therefore there is a need to develop strategy for effectively tackling the problems of rural unemployment by accelerating the tempo of rural industrialization. A study by Chand and Srivastava (2014) shows that the share of industry in rural employment has shown a very negligible growth from 7.00 percent to 7.16 percent during 1994 to 2010. Therefore this sector needs attention. A study by Nasir et al (2013) revealed that majority of workers of cottage industries in Eastern Uttar Pradesh were a satisfied lot. So there was practically no migration among them. Researchers argue that any plan to eradicate or reduce unemployment should primarily direct its endeavors towards absorbing as much of human labour as possible into production (Meetai and Deepakkumar, 2012). Village industries are labour intensive and capable of creating more employment (Rao, 1967). They have the potential to solve the problems and stimulate rural economic growth and overall development of rural areas. They provide immediate large scale employment and offer a method of ensuring more equitable distribution of national income and facilitate an effective mobilization of capital resources and skill (Anjum, 2011). Therefore to minimize prevalence of poverty, these industries can play a vital role in providing rural employment resulting in food security to rural people (Meenakshisundaram, 2006).

In the post liberalisation period the village industries are facing stiff competition. This has gravely impacted, leaving it with no option but to further restructure, close up or scale down in production. Ajithan (2006) found that village industry in Kerala is facing the problems of marketing, low technology, scarcity of capital, low skill and organizational inabilities. In the liberalised economy of India there are fears that traditional industries may begin to disappear due to presence of large industrial enterprises, both domestic and

foreign (Kumar, 2007). Studies have found that although small units have been showing growth in all respects during the post-reform period of 1990s, the growth rates are smaller as compared to that of the pre-reform period (Bhavani, 2006).

In Punjab, the nature and composition of manufacturing underwent a notable change since the advent of green revolution in the mid 1960s. The state witnessed rapid agro-industrialisation. Industries manufacturing agri-implements, machine tools, pipes and fittings, automobile parts and processing industries such as cotton textiles, sugar, wheat flour and rice shelling grew continuously from 1961 to 1984. Village industries also showed varying degrees of growth in this period (Bhalla et al, 1990). What has been the fate of village industries in the post- liberalization period, needs to be examined. Therefore the present study was carried out with the following objectives-

1. To analyse the growth of production, sale and employment in village industries in Punjab in the pre-liberalization and post-liberalization period.
2. To identify the factors hampering growth of village industries in post liberalisation period in Punjab.

Methodology

For the purpose of this study, time series data pertaining to production, sales and employment in various village industries in Punjab were taken. The secondary data were obtained from various issues of the Statistical Abstracts of Punjab. The reference period for analysis was taken from 1970-71 to 1989-90 (pre-liberalization) and 1990-91 to 2010-11 (post-liberalization). A comparative analysis of compound annual growth rate (CAGR) for pre-liberalization and post-liberalization period was carried out for key growth and performance parameters like, production, sale and employment. To identify the problems of village industries information was sought from villagers who visited Kisan Mela held at Punjab Agricultural University, Ludhiana during March, 2014. A sample of 150 villagers was taken on the basis of their willingness to participate in the survey. The survey was carried out through non disguised structured questionnaire having likert –scale based questions. Prior studies in the area were reviewed to identify various facets. The final survey instrument was developed to portray the salient elements of existing body of knowledge on the subject.

In order to know about the various factors considered significant in explaining the downfall in compounded annual growth rate of various village industries in post liberalisation period, 12 statements on 5 point likert scale were subject to factor analysis. The reliability of the scale using Cronbach Alpha was 0.860 and the result so obtained was subject to Kaiser- Meyer- Olkin (KMO) measure of

sampling adequacy, which came out to be 0.842. Eigen values for the factors with a variance greater than 1.0 were included and first three variables representing 61.631 % of variance were retained.

Analysis

Growth of Village Industries

The growth of industries was analyzed in terms of compound annual growth rate of production, sale and employment in the pre-liberalization and post-liberalization periods.

The study shows that the compound annual growth rate of production in the post-liberalization period has been much

below the growth rate in the pre-liberalization period (Table 1). In the pre-liberalisation period, the CAGR was the highest (36.31 percent) in khani oil and the lowest in fibre industry (17.80 percent). In the post-liberalisation period the growth was the highest (18.44 percent) in lime manufacturing and the lowest (06.02 percent) in gur khandsari. The fall in CAGR has been the maximum (36.31 percent to 6.84 percent) in khani oil industry closely followed by carpentry and blacksmithy (36.26 percent to 8.84 percent) and the minimum (26.44 percent to 18.44 percent) in lime industry closely followed by processing of cereals and pulses industry (25.68 percent to 16.29 percent).

Table 1: Compound Annual Growth Rate of production in village industries in Punjab

Village Industry	Pre-liberalisation	Post-liberalisation	Overall
Processing of Cereals and Pulses	25.68	16.29	21.20
Khani Oil	36.31	06.84	20.86
Non edible oil and Soap	30.44	10.55	20.09
Village Pottery	21.75	10.92	16.51
Gur Khandsari	22.31	06.02	13.75
Lime manufacturing	26.44	18.44	22.64
Fibre	17.80	07.42	12.71
Village Leather	20.98	07.35	14.47
Carpenter and Blacksmithy	36.26	08.84	21.88

Table 2: Compound Annual Growth Rate of sale of village industries in Punjab

Village Industry	Pre-liberalisation	Post-liberalisation	Overall
Processing of Cereals and Pulses	30.61	16.17	23.37
Khani Oil	30.97	6.68	18.47
Non edible oil and Soap	31.06	9.71	20.04
Village Pottery	20.22	10.08	16.19
Gur Khandsari	23.15	5.28	13.76
Lime manufacturing	26.34	17.24	21.69
Fibre	18.56	6.89	12.79
Village Leather	21.74	6.83	14.30
Carpenter and Blacksmithy	36.14	8.09	21.35

Table 2 shows that from 1970-71 to 2010-11 sale in processing of cereals and pulses industry has grown at CAGR of 23.37 per cent while sale of lime manufacturing, carpentry and blacksmithy and non edible oil and soap industries grew at CAGR of 21.69 percent, 21.35 percent and 20.04 percent respectively. The lowest CAGR (13.76 percent) of sale has been in Gur khandsari industry during the overall period of forty years from 1970-71 to 2010-11.

In the pre-liberalisation period (1970-71 to 1990-91) the CAGR of sale was the highest (36.14 percent) in carpentry and blacksmithy industry and the lowest (18.56 percent) in fibre industry. But in the post-liberalisation period (1991-92 to 2010-11) it was the highest (16.17 percent) in processing

of cereals and pulses and the lowest (5.28 percent) in Gur khandsari industry.

In all the village industries, the CAGR of sale has decreased in the post liberalization period as compared to that in the pre-liberalization period. The decrease is the maximum (36.14 percent to 8.09 percent) in case of carpentry and blacksmithy, followed by Khani oil (30.97 percent to 6.68 percent) and non edible oil and soap (31.06 percent to 9.71 percent). The decrease is minimum in lime (26.34 percent to 17.24 percent) followed by village pottery (20.22 percent to 10.08 percent) and fibre industry (18.56 percent to 6.89 percent) in the state of Punjab.

Table 3: Compound Annual Growth Rate of Employment in village industries in Punjab

Village Industry	Pre-liberalisation	Post-liberalisation	Overall
Processing of Cereals and Pulses	15.75	10.08	13.02
Khani Oil	3.69	12.41	9.20
Non edible oil and Soap	-2.82	4.78	1.16
Village Pottery	13.34	6.48	10.37
Gur Khandsari	2.88	0.09	1.40
Lime manufacturing	19.21	11.20	15.20
Fibre	7.61	0.54	4.04
Village Leather	10.13	0.34	5.17
Carpenter and Blacksmithy	29.42	2.41	14.83

Table 3 shows that during the period 1970-71 to 2010-11, employment in lime manufacturing has increased at the highest compound annual growth rate (15.20 percent) followed by carpentry and blacksmithy and processing of cereals and pulses industries with the CAGR of 14.83 percent and 13.02 percent respectively. Employment increased at the lowest rate (1.16 percent) in non edible oil and soap industry.

In the pre-liberalisation period (1970-71 to 1990-91), among the village industries in Punjab taken under study, the growth rate of employment was the highest (29.42 percent CAGR) in carpentry and blacksmithy industry and the lowest (-2.82 percent CAGR) in non edible oil and soap industry. But in the post-liberalisation period (1990-91 to 2010-11) employment grew at the highest rate (12.41 percent) in khani oil and the lowest (0.09 percent) in gur khandsari industry.

In all the village industries taken under study in Punjab, it was found that the CAGR of employment has decreased in the post liberalization period as compared to that in the pre-liberalization period. The decrease was the maximum (29.42 percent to 2.41 percent) in case of carpentry and blacksmithy, and the minimum (2.88 percent to 0.09 percent) in gur khandsari industry. However in khani oil and non edible oil and soap the employment growth rate increased from 3.69 percent to 12.41 percent and -2.82 percent to 4.78 percent respectively.

Problems of Village Industries

To extract factors significant in explaining the downfall in compounded annual growth rate of various village industries in post liberalisation period, 12 statements on 5 point likert scale were subject to factor analysis. The results of factor analysis are shown in Table 4.

Table 4: Results of Factor Analysis showing downfall in Compounded annual growth rate of various village industries in post liberalisation period

Factor 1

Factor Label	Statements	Loadings
Availability of Credit	Scarcity of Capital	0.510
	Lack of Credit Facilities from formal sources	0.783
	Research and development activities require huge investments	0.756
	The various initiatives taken up by the government for village industries lack implementation	0.692

Factor 2

Factor Label	Statements	Loadings
Marketing problems and competition from large scale industries	The marketing facilities are not adequate	0.643
	Marketing is usually considered as an unnecessary expense by the manufacturers	0.558
	The various actors/ participants in the supply chain are not integrated	0.531
	Large scale industries and foreign made goods pose a threat to working of the village industries	0.789
	High cost of production enhances the price of end product	0.711

Factor 3

Factor Label	Statements	Loadings
Consumers awareness and support	The social acceptance and status of the products produced by village industries is considered much less in comparison to products produced by large scale industries.	0.452
	Lack of awareness among consumers regarding the various social and economic benefits of use of products produced by village industries.	0.543
	The variety that consumers seek in products is not available in village industries.	0.428

With a view to identify the various factors explaining the downfall in Compounded annual growth rate of various village industries in post liberalisation period, extracted

through Factor Analysis in Table 4, it can be interpreted that the most critical factor responsible for the downfall was the non availability of credit to such village industries, wherein

usually the manufacturers were found to arrange the finances from unorganised sector. Marketing problems and competition from large scale industries was found to be the next important factor which has led to the downfall of the village industries. It was also found that lack of Consumers awareness and support for village industries acted as a barrier to their progress.

Conclusion

Compound annual growth rates of production, sale and employment have come significantly down in the post liberalization period. The decrease in the growth rates of production and sale is the maximum in carpentry and blacksmithy and the minimum in lime industry. In the pre-liberalisation period, the growth rate of employment was the highest in carpentry and blacksmithy while in post liberalization period it was the highest in khani oil industry. From the pre to post liberalisation period the fall in CAGR of employment was the maximum in carpentry and blacksmithy industry. In case of village industries, non-availability of credit is the biggest problem while lack of marketing facilities and competition are the other major issues. This sector can be developed by addressing these problems and by creating awareness among consumers about the importance of this sector and by helping them take pride in using the products made by village industries.

References

- Ajithan, M. B. (2006) Impact of Globalization on Village Industries in Kerala- A Study with Special Reference to Handloom Industry in Ernakulum District. Department of Economics and Research Centre, Thevara, Kerala. Retrieved from www.mgutheses.in/page/authors-view.php?q=t1558&word on May 4, 2013.
- Anjum, D. (2011) An Analysis of Khadi and Village Industry Sector in Jammu and Kashmir. *Zenith International Journal of Multidisciplinary Research*. 1(8): 213-220
- Bhalla, G. S., Chadha, G. K., Kashyap, S. P. and Sharma, R. K. (1990) *Agricultural Growth and Structural Changes in the Punjab: An Input-Output Analysis*. International Food Policy Research Institute and centre for Study of Regional Development, Jawaharlal Nehru University, New Delhi.
- Bhavani, T. A. (2006) *Globalization and Indian Small Scale Industries: Technology and Competitiveness*. Delhi: Ane Books Pvt Ltd.
- Chand, R. and Srivastava, S. K. (2014) Changes in the rural labour market and their implications for agriculture. *Economic and Political Weekly*. XLIX (10): 47-54.
- Gandhi, M. K. (1934) *Village Industries*. Harijan. November 23: 324
- Government of India (1975 -2011) *Statistical Abstract of Punjab*. Economic Advisor to Government, Punjab
- Kumar, S. R. (2007) *Traditional Industries on India in the Globalised World*. University of Kerala, Trivandrum.
- Meenakshisundaram, N. (2006) *Rural Industries: Nature and Scope* (ed) Meenakshisundaram, N., Rural Industrial Management. Concept Publishing Company, New Delhi.
- Meetai and Deepakkumar (2012) *Women in Village Industries of Manipur*. *Shodhsamiksha and Mulyankan*. IV(46): 15-17
- Nasir, J., Anjum, M. and Ullas, T. (2013) Migration of Cottage Industry Workers. *Kurukshetra* 60(4): 20-23
- Nath, H. D. D. (2013) *Strategies for Employment Generation in Rural India- A critical evaluation*. *Kurukshetra* 61(4): 27-30.
- Rao, R. V. (1967) *Cottage and Small Scale Industries and Planned Economy*. Sterling Publication (P) Ltd, New Delhi.
- Rathakrishnan, L. (2009) *Small and Medium Enterprises under Globalization: Challenges and Opportunities*. Gyan Books Pvt Ltd, New Delhi.