

**Micro, Small and Medium Enterprises ( MSME):  
Analysis of Concepts, Strategies and Challenges for Rural Development and Agro-Industrial  
promotion in India**

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*The relevance of industrial development in national economic growth cannot be over-emphasized. This paper examines the importance of agro-industrial promotion to rural development. It discusses the theoretical underpinning of rural development and small scale/ agro-industrial establishments. It's identified the strategies that could be used for establishing small-scale industries in the rural areas. Finally, the challenges, opportunities and benefits derivable from small-scale industrial development in the rural areas are highlighted.*

### **Introduction**

It is universally acknowledged that rural areas are very important to the nation. They serve as the base for the production of food and fiber. They are also the major sources of capital formation for the country and a principal market for domestic manufacturer. In general terms, the rural areas engage in primary activities that form the foundation of any economic development. Yet, despite the importance of the rural areas, they have been neglected for long. Usually, there is absence of infrastructures (water, electricity supply and motor able roads) which improve quality of life. The rural areas have low purchasing power. Indeed, the ongoing neglect of rural areas continues to widen the gaps between the rural and urban areas regarding the levels of social and economic opportunities, physical development and available infrastructural services.

### **The Concept of Rural Development And Agro-Industrial Promotion**

Three concepts need to be defined: Rural development, Industrial and small scale/Agro-industry.

The meaning of rural development has been the subject of much debate and little agreement. The definition of rural development varies from one point of view to the other.

The definition of rural development may be centered on income criterion in which the concept is made to address the problem of rural poverty. Or it may be defined in sociological concept in which the rural poor represents a reservoir of untapped talent- a target group that should be given the opportunity to enjoy the benefits of development through improved education, health and nutrition. This is one of the most important definitions of rural development as the provision of social infrastructures could provide the catalyst that would transform the rural areas.

Rural development may also be seen as an ideology and a practice. It may mean planned change by public agencies based outside the rural areas such as the National Government and International organization. It may also be the bringing of the country side into an active state, as well as the transformation of the inferior nature of the country side into something more superior in terms of activities. Lele (1975), Abankare (1977 and Mobogunje (1981) view rural development as the improvements in the living standard of the rural dwellers by engaging them in productive activities such as the establishment of rural industries that will increase their income. It is seen by these scholars as a means of raising the sustainable level of living of the rural poor by giving them the opportunity to develop their full potentials.

Rural development can be distinguished from Agricultural Development which it entails and transcends. In essence Rural Development may imply a broad based re-organization and mobilization of the rural masses in order to enhance their capacity to cope effectively with the daily task of their lives and with changes consequent upon this.

According to the World Bank (1975) rural development must be clearly designed to increase production. It recognizes that improved food supplies and nutrition, together with basic services, such as health and education, not only directly improve the physical well-being and quality of life of the rural poor, but can also indirectly enhance their productivity and their ability to

contribute to the national economy. Rural development ensures the modernization and monetization of the national economy. Rural development ensures the modernization and monetization of the rural society and the transition from its traditional isolation to integration with the national economy. It is concerned with increase agricultural production for urban and international markets. This is essential so as to generate foreign exchange and to attract revenue to finance public and private consumption and investment.

In order to encourage increase production, rural development may offer a package of inputs and welfare services for the rural masses. Such inputs and welfare services include-physical inputs (such as the provision of feeder roads, water and electrification), social-inputs – (namely health and educational facilities) and institutional inputs such as credit facilities, agricultural research faculties, rural expansion services among others.

Accordingly the term industry refers to the fabrication of raw materials to intermediate components or finished products primarily by mechanical means or dependent on inanimate source of power. Broadly, industry can be regarded, as all stages and types of economic activities. This includes extraction, construction and services by which economic goods are directly produced from raw materials. There are three categories of industries, namely, large, medium and small-scale industries. The concern of this paper is on the small-scale industries.

The definition of small scale industries varies from country to country. Its also varies in definition with the number of employees, sales values, financial strength, relative size, initial capital outlay and ownership.

With regards to employment size, a small scale industry in U.S.A must have an average number of employees of between 250-1500 people; For Latin America the range is between 5 and 20 workers. In the Far East, it is 100 persons.

According to Aluko (1972) small-scale industries are those manufacturing activities that could be conducted in or near the place of abode of a sole entrepreneur with family supply of labour and capital. Such endeavors are usually accompanied by other occupation like farming and trading. In a study conducted by Aluko in 1972 on the old Western State, it was established that small scale enterprise whether household craft or factory possess some of all of the following characteristics. That :

1. The same manager or proprietor handles or supervises the financing, production, marketing and personnel of the enterprises.
2. The manager or proprietor finds it difficult to borrow short term or long-term capital through organized financial institutions and so rely heavily on relations, money lenders, personal savings or profit of the enterprises.
3. The industry is closely integrated with and meets only the immediate needs of the local community in which the business is being carried on. There is little knowledge or need for wide or distant markets.
4. The establishment is generally weak, poorly equipped and reluctant to request or even accept assistance for reasons of ignorance, prejudice or fear that information about the enterprises might reach the tax authorities or a nearby competitor.
5. The rate of failure is high because of the dominance of sole proprietors. Although since it is relatively easy for single industrial to start a small-scale industry, the rate of replacement is also high. The number of units has a tendency to multiply. Each apprentice tends to graduate to a sole entrepreneur. The reluctance to combine into partnerships or limited liability companies is very strong because of the mutual distrust.
6. Little or no account of business costs and revenue is kept. The banking system is hardly ever utilized. The result is that banking facilities for business financing and expansion are extended to only very few of the industrialists.
7. The level of education of the proprietor is usually very low. These consequently result into low level of business management techniques, skills or market information.

With these enumerated characteristics, the extent to which these industrial establishments can have impact on rural economic development is better imagined than expected. Yet if all things are put in their proper place, the rural areas stand to benefit tremendously from small scale/agro industrial promotion.

From the foregoing a theoretical linkage could be sought for Rural Development and small scale/Agro industries. First, one is tempted to support Bernstein (1978) that rural development refers to the conscious action to effect large scale change in a desired direction. This is achieved by utilizing in a coordinated way the resources available to a given political unit.

Second, the desired change expected for the rural areas is best achieved by promoting economic activities (such as small scale industrial establishment) which will enhance the people's purchasing power and rural income.

Third, the small scale industries will thrive in the rural areas especially where there is an available raw material for the production of finished products.

Overall, it could be argued that small-scale industrial promotion and rural development is better achieved in the environment where several development inputs are put in place. The availability of rural development inputs (infrastructures like water, electricity etc) is a problem in the rural areas. This calls for a comprehensive planning strategy for small scale industries as would be noted in the section that follows.

### **Strategies For The Development Of Small Scale /Agro/Based Industries In Rural Areas**

If the conceptual explanation of small-scale industries is anything to go by, it may be argued that there is no big deal in the strategy for establishing such industries in the rural areas. In other words, such industries should be able to flourish in any inform us that some major factors must be considered in the location of industries. These include : proximity to raw materials, cheap transport cost, accessibility to the market availability of potable water, cheap labour and electricity. Some of these factors are not present in the rural areas; hence the rural areas may not be fascinating to many industrialists to decide to locate in the rural areas. Therefore, it could be argued that patriotism and the need to arrive at social justice may be motivating factors for industrialists in deciding to locate in the rural areas.

The abundant availability of infrastructural service is a prerequisite for any industrial establishment. According to Olayiwola (1990) the problem with the rural areas is that many of them are not large enough to have separate centers for the location of each infrastructure. Therefore, these settlements must be grouped together for the provision of infrastructures and location of rural industries. This brings into focus the relevance of the concept of village regrouping if rural or agro based industries re to be economically distributed and viable.

The ideas of village regrouping involves the bringing of villages together for the purpose of turning them into growth points where all amenities and infrastructures and industries are located for the benefits of all. There are two types of village regrouping. The first involve physical relocation or displacement in which a key settlement is selected as the centre, all other surrounding villages in its region are then made to move physically close to this key centre. The key centre has all the infrastructures and amenities conducive to healthy living and the establishment of economic activities such as small scale industries. The second alternative retains villages in their existing sites. But a growth centre is established. Growth centers are designed points from where infrastructural facilities and industries can be channeled or located.

There are arguments, which can be advanced in favour or against the concentration of industries in few key centers. First, the concentration of industries in key settlements can cause regional, rural disparities. Second, such rural industrial concentration can also lead to spread effect. In other words benefits of rural industrial concentration can be left not only within the settlement where the density is located but beyond, into the rural hinterland. Besides, by concentrating small scale industries in key rural settlements, construction and maintenance costs are lowered. Time and money are saved when a full range of professionals, commercial and technical services are found together. Concentrations of small scale industries make possible provision of more specialized services. It also enables full advantage to be taken of the division of labour. Industrial concentration facilitates a larger population to a centre where amenities and services are concentrated.

### **The Challenges And Opportunities Of Developing Small Scale/Agro Industries In Rural Areas**

The promotional effects now being made as regards the development of small scale industries are based on the belief that these industries can contribute significantly to the development of economy. Some of the roles played by the establishment of such small scale industries in under develop countries. The provision of employment opportunities, reduction of the follow of population t the main urban areas and the development of indigenous industries. Others are a balance regional development and reduced environmental impact.

These factors indicate that a variety of opportunities would increase overtime with the development of the economy. As per capita national income increases and with an increase in the range of consumer goods which the people want of consume, new opportunities will be opened to small scale industries.

### **Conclusion**

This paper has attempted a discussion of the concepts, strategies and challenges of promoting small scale/ agro industrial establishment for rural development. It described the many meanings of rural development, small scale industries and provided a linkage between the two concepts. The geographic and economic principle of establishing rural/ small scale industries through village regrouping was mentioned. The challenges, opportunities and benefits derivable from small scale industrial development were highlighted.

The problems of rural/agro-industries vis-à-vis solutions towards enhancing their promotions ere also identified.

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