

CHAPTER - II

HOUSEHOLD INDUSTRY AND REGIONAL ECONOMY: AN APPRAISAL

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2.0 Introduction

Household industries are those industries, which produce articles often using simple tools and which have potentials for income generation through the exploitation of cultural assets and the production of skill-based goods and services, both traditional and contemporary. The products have object of utility and many have objects of decoration. The main features of the traditional household industries are indigenous creation of ordinary people. These industries are run by an individual with the help of his family members with very little capital. Our ancestors learned to deal with the world by imitating family and community members as they went on solving daily problems in connection with their livelihood. The skill and knowledge of their works generally handed from master to apprentice, parent to child, elder to youth, person to person, from one generation to the next. Despite the introduction of machines and current technological improvement as well as globalisation, household industries continue to exist and perpetuate in our world even today.

Since the day of advent of modern factory based production and industrialisation in Europe and the British colonial rule over India, the traditional household based industry of the country has passed through many tribulations. In post-independence India when the government adopted the path of modern industrialisation through state centred planning to accelerate the pace of economic development in the country, it laid importance on the development of labour intensive traditional small industrial sector such as household industry. In order to solve the problem of open unemployment in a labour surplus economy, the government had no other options. Moreover, the traditional household industrial articles reflect the cultural heritage of the country and next to agriculture, this sector is the major provider of employment to people in the informal economic sector.

Over the time, due to industrialisation and rapid urbanisation these family based or community-based industries has started declining. Everywhere artisan workers are the first victim of the new social as well as economic system. The competition with machine made articles are beyond his capacity and this competition resulted disaster, because the industries satisfy economic wants, which form the larger part of the human requirements mainly from utility point of view. In order to harness and translate

indigenous skills and resources into better incomes and living conditions, small unorganised production processes, which are conducted at household level, have to be improved and made more consistent. These industries not only satisfy the economic wants alone but also satisfy the aesthetic yearning of human heart (SEEDS, 2006). The economic potential of household industrial production is demonstrated in the increasing alienation between humans and machines, wherein people are actively seeking to enliven their often dull and stereotyped environment by surrounding themselves with objects of beauty.

Household enterprises have great potential for spurring economic growth and often provide a vital source of primary and supplementary income for families in the poorest segments of society. As a result of globalisation, there is increasing pressure on less formally educated populations to migrate into urban areas and join the factory-based workforce often with very poor working conditions. Since household based industries are home based or community-based, they help to enhance rural economies and diminish urban migration. In addition, a large portion of artisans are women which helps sustain families and communities while generating local economies and preserving traditional art forms. Also, since artisan work requires nominal amounts of land and does not need large factories, or power and energy, these are also environmentally friendly.

The household industrial sector plays a significant role in the development of the economy of India. Therefore, it is useful to understand and identify the household industry. The significance of this type of study lies in improving the theoretical and policy related understanding of the role of regional systems in specific knowledge creation and use by household industries. Moreover, this sector of industry faces many problems, most of which are associated with smallness of their operation. The measures to promote them are, in general, of different variety from those needed for the development of medium and large industries. For all these reasons the various aspect of household industries are dealt separately in this chapter.

2.1 Concept of Household Industry

Household industries generally refer to the organisational components of rural industrial sector. In this regard, the classification of manufacturing, made by Staley and Morse (1965), by systems of organisation merits our attention (Table 2.1). According to them, the system in which members of a family make things for their own use is called

Table 2.1 Manufacturing Classified by Systems of Organisation

Family-use system	Artisan system		Putting-out or dispersed system		Factory system		
1	2	3	4	5	6	7	8
Own-use manufacture	Artisan house work	Artisan workshop	Industrial house work	Dependent or quasi independent small shops	Small factory	Medium factory	Large factory
<p>Use of terms –</p> <p>Small Industry : 1, 2, 3, 4, 5, 6</p> <p>Non-factory industry : 1, 2, 3, 4, 5</p> <p>Small factory : 6</p> <p>Artisan Industry : 2, 3 overlapping with 4, 5</p> <p>Household Industry : 1, 2, 4 sometimes 5</p>							

Source: Staley and Morse (1965), Modern Small industry for Developing Countries, Mc-Graw Hill Book Company, New York, 1965, p. 5

‘Family-use System’. The ‘Artisan System’ developed as some workers specialised and acquired particular skills: weavers, cobblers, blacksmiths, carpenters etc. In many societies, artisan occupation is more or less hereditary. The artisan system is the chief provider of manufactured goods in traditional economies and in traditional sectors of newly industrialising countries. Artisan industry refers to manufacturing carried on by craftsmen who works singly or with some helpers or apprentices and without extensive division of labour. When the work is done in or near the home, mainly by family members, it is called ‘artisan house work’ and if the work is done in a separate work place using hired helpers, it is known as ‘artisan work shop’. In the putting-out or dispersed factory system, a middleman (a merchant, a factory manager or a specialised ‘putter out’ who acts as agent) distributes raw materials to workers at their homes or small work places, prescribes the tasks to be done and pays for work performed – usually by piece wise. It is called ‘industrial house work’ if the work is carried on in homes for a putter-out who co-ordinates the operations. It differs from ‘artisan house work’, in which the work is sub-divided; it does not consist in making a complete product but in performing a specialised task or tasks such as might be done in one portion of a factory. In the case of ‘dependent or quasi-independent small shops, a master factory worker or a middleman contracts out work, for a component, perhaps for

a single machine operation, to small enterprises that are in fact almost completely dependent on the master organisation, though located separately and legally independent. The factory, whether small or large, is distinguished from the non-factory system by greater division of labour in production. Consequently, the factory has greater need for internal co-ordination, and the manager, rather than the artisan, is the central figure (Staley and Morse, 1965).

‘Under factory system of manufacture’, says Palgrave’s Dictionary of Political Economy, as referred by Staley and Morse, ‘the labourer is the master of the industry, the prime mover in the enterprise, the active centre of product. In manufacture carried on by factory methods he is no longer, but the organism is the supreme object of concern’.

The Expert Group of United Nations Centre for Regional Development (UNCRD), using the Staley and Morse classification of manufacturing cited in Table 2.1, categorises rural industries to include three components, namely -

- (i) Household industries – 1, 4
- (ii) Artisanal industries – 2, 4
- (iii) Small factories – 5, 6

In India ‘rural industries’ have been classified under the ‘village and small industries’ (VSI) sector. This sector has eight sub-sectors, namely -

- (i) Khadi industries
- (ii) Village industries
- (iii) Handloom industry
- (iv) Handicrafts
- (v) Coir
- (vi) Sericulture
- (vii) Small-scale industries, and
- (viii) Powerlooms

While the last two represent the modern small industries, the other sub-sectors constitute traditional industries. Modern small-scale industries and power looms use modern technologies and are mostly urban oriented, whereas the traditional industries are mostly rural and semi urban in character. The manufacturing units whose initial investment in plant and machinery does not exceed Rs. 60 lakh fall under this sector. The responsibility for the promotion of industries in this sector lies on the state

governments. The centre, however, supplements their efforts (Planning Commission, 1985).

The industries of this sector are divided into three categories, namely -

- (i) Registered factories
- (ii) Un-registered workshops, and
- (iii) Household industries

A 'Registered factory' is one 'which employs ten or more workers with the aid of power or twenty or more workers without the aid of power' (Census of India, 1971). Such factories should get registered under the Indian Factories Act, 1948.

Census of India (1971) defines an 'un-registered workshop' as 'a place where some kind of 'production, processing, servicing, repairing or making of goods for sale is going on'. It is neither too big to get registered under the Indian Factories Act, 1948 nor too small to be carried on by the members of households. It is a work place where manufacturing of goods or services and repairing is carried on with the help of hired labourers.

'Household industry' is defined as 'an industry conducted by the head of the household himself or herself and/ or by the members of the household at home or within the village in rural areas and only within the precincts of the house where household lives in urban areas. The larger proportion of workers in a household industry should consist of members of the household including the head. The industry should not be run on the scale of a registered factory, which would qualify or has to be registered under the Indian Factories Act. The main criterion of a household industry is the participation of one or more members of a household. This criterion will apply in urban areas too. Even if the industry is not actually located at home in rural areas there is a greater possibility of the members of the household participating even if it is located anywhere in the village limits. In the urban areas where organised industry takes greater prominence, the household industry should be confined to the precincts of the house where the participants live. In urban areas even if the members of the household by themselves run an industry but at a place away from the precincts of their home, it will not be considered a household industry. It should be located within the precincts of the house where the members live in the case of urban areas. A household industry should relate to production, processing, servicing, repairing or making and selling (but not merely selling) of goods' (Census of India, 1961).

The main characteristics of household industry, as per the Census, may be summarised as per the following:

- (i) One or more members of the household must participate. Participation by hired labour must be minimum.
- (ii) The activity should relate to some production, processing, servicing, repairing and making or selling goods.
- (iii) The goods produced should not be for consumption by the household itself but should be wholly or partly for sale.
- (iv) In the urban area, the industry must be carried out in the precincts of the house where the household lives. In the rural areas, the industry may be anywhere within the limits of the village.
- (v) The activity should not be on the scale of a registered factory.

According to Planning Commission (1981), the household industries represent the un-organised segment and village and cottage industries are within its fold. Therefore, all the village, cottage and handicraft industry which fall within the purview of these Census (1961) defined criteria have been considered as household industry. The present study has been carried out following these census criteria of household industry as mentioned in the preceding paragraphs.

2.2 Role of Household Industry in the Economy

In an over populated and developing country, like ours, the household Industries have a vital role to play and therefore, occupies a definite and important place in the upliftment of the economy, especially the rural economy. It is a vital constituent of India's industrial sector. It plays an important role in overall economic development of the country and contributes to the export earnings besides meeting the social objectives including that of providing employment opportunities to millions of people across the country, income quality, balanced regional development and creation of strong entrepreneurial base.

The household industries hold considerable promise for economic empowerment and provide gainful employment to the technically little qualified, less educated and emaciated poor in the rural non-farm sector. It is true that other than agriculture, household industry sector is one of the major providers of employment to the people. Apart from that household industrial products of India are appreciated all over the world because of its uniqueness. These traditional household based industries

of India have, however, historically passed through many stages of ups and downs. In post-independence India when the planners and policy makers took the path of modern industrialisation to accelerate the pace of economic development in the country in a mixed economy frame of state centred planning, they could rightly realise the importance of traditional small industrial sector. The government paid equal attention to their development and has made a clear announcement on the importance attached to this sector of industries in its programmes and plan-outlays, from time to time for utilisation of the massive manpower in both the rural and the urban areas.

Even after the emergence and rapid growth of the modern large industries, the small and traditional household industries continue to play very important role in the economy. While one reason for the survival and importance of this sector lies in the fact that the large scale modern industries have not been able to absorb workers to the extent of effecting a shift from the traditional and small sector, another more important reason for this phenomenon lies in the emphasis laid on the co-existence of different sectors and promotion of small and village industries in the industrial policy followed in the post- independent India.

The importance of household industries has been discussed in following paragraphs.

2.2.1 Household Industries and Employment Generation

Household industries have potential for large employment, as these require very low investment per job. Its present capacity to absorb labour is obvious from the fact that VSI sector accounts more than 50 per cent of total employment in the industrial sector of the country. As referred by Myrdal (1965), P.C. Mahalanobis had this to say on employment potential of household and cottage industries: 'In the view of the meagerness of the capital resources there is no possibility, in the short run, for creating much employment through the factory industries. Now consider the household and cottage industries. They require very little capital. About six or seven hundred rupees would get an artisan family started. With any given investment, employment possibilities would be ten, fifteen, or even twenty times greater in comparison with corresponding factories industries'.

A small amount of capital invested in this sector of industries is likely to provide more employment, at least in short run, than the same amount invested in a large industry. Professor Mahalanobis was of the view that we have a long tradition of

handicrafts in India. If we could increase the demand of this sector, it would be possible to increase production in small and household industries and investment in heavy industries sector and service sector would generate new demands. A small amount of capital could generate a large volume of employment and income / output in small and household industries (Mahalanobis, 1963). This is one of the main considerations for an over-populated and developing country, where millions of people are either unemployed or, under employed, to utilise the possible potentiality of this sector for providing employment opportunity not only to the educated and technical man-power, but also to the unlimited labour force which have been increasing, day by day, at a relatively low capital cost and very short period of gestation. Further, the encouragement to household industrial sector would, no doubt, serve to counter the seasonal employment of the agricultural labour force and thus utilise it which otherwise would be a waste. Small and household industries were assigned a vital role in Mahalanobis's Second Five Year Plan Model, as it was expected that this sector would generate 27.2 per cent of the total expected employment and 14.1 per cent of the total income out of only 3.5 per cent of investment (out of the total proposed outlay) during the Second Five Year Plan period.

2.2.2 Household Industries and Equitable Distribution of National Income

Importance of household industries lies in the fact that these ensure a more equitable distribution of national income and wealth. There are two main reasons for such accomplishment. Firstly, the ownership of these industries is more widespread than the ownership of modern small scale and large industries. Secondly, these industries possess high employment potential as compared to the medium and large industries and consequently they enable a large number of the people to share the fruits of economic development. In the absence of these industries, the only option before the artisan workers would be to remain unemployed or seek less remunerative jobs (Economic Survey, 2003).

2.2.3 Capital Formation and Even Distribution of Income and Wealth

Household industries can call into being capitals that would not otherwise, come up by spreading industries over the countryside. Small entrepreneurs are encouraged to form habits of thrift and investment as productive capital. It also has the additional advantage of securing more evenly distributed income and wealth. Few centralised industries have tendencies to concentrate large sums of income and wealth in few

hands. This is detrimental for the country as this would encourage exploitation and therefore, create vested interest to put up obstacles on economy towards its goal to a socialistic pattern of society.

2.2.4 Household Industry and Productive Activity of the Village

Household industries play a significant role in the productive activity of the village. Since the ancient times, while agriculture has been the main stay of the village economy, the artisan workers have fulfilled most of the day-to-day needs of the people. They have served the needs of the agriculture sector by producing and repairing agricultural implements. Agricultural produces have been converted by them into usable commodities like cloths, puffed rice, oil etc. for local use as well as supply for urban areas. The contribution of the household industrial workers in maintaining a self-reliant economy of the village is thus very significant.

2.2.5 Household Industry and Industrial Development

Household Industrial sector play an important role in the pattern of industrial development. The development of these industries is a means of promoting a large-scale employment and also a means of meeting the increasing demand for consumer goods. Production of enough consumer goods in small and household industries was the strategic importance in the Second Five Year Plan, because, only that could balance the increase in demand created by investments in heavy capital intensive industries and service sector (Mahalanobis, 1963). The Industrial Policy Statement of 1980, states that the 'government is determined to promote such form of industrialisation in the country that can generate economic viability in the villages. Promotion of suitable industries in rural areas will accelerate the generation of higher employment and higher per capita income for the villages in the country without disturbing the ecological balance. Handlooms, handicrafts, khadi and other village industries, will receive greater attention to achieve a faster rate of growth in the villages' (Planning Commission, 1980). With a view, for promoting rural industries including household industries, government has set up organisations like Khadi and Village Industries Commission (KVIC), All India Handlooms and Handicrafts Board, Coir Board, District Industrial Centres (DICs), District Rural Agency etc.

2.2.6 Household Industries and Regional Dispersal of Industries

The development of household industries will bring dispersal or decentralisation

of industrial growth and promote the objective of ironing over the much-needed economic betterment in a phased and uniform manner. It may be called as moving industries as it require simple tools and meager resources for the artisan to shape a new artifact. Moreover, the large industries cannot be dispersed in a short run due to the requirement of large capital, resource, technical labour, industrial infrastructure etc. Besides, the large establishments require better managerial skill and public relation, moreover, in the household units these requirements are provided by the family members. These industries can be extended to any corner of this vast country. Hence, the dispersal of this sector could be a best strategy for the development of the backward areas of the country.

2.2.7 Territorial Immobility

One of the vital factors in favour of the household industrial sector is its capability to offer jobs to the unemployed rural masses at their very doorsteps, who otherwise, would not move away from their homes in the countryside and thus waste away the massive man-power. Moreover, unlike large industries, small industries do not create problems of slum housing, health and sanitation hazards.

2.2.8 Social Aspects of Household Industry

Besides economic aspects, household industries have many social aspects too. From the social point of view, household industries are essential for the satisfaction of human wants. From utility point of view, these industries satisfy economic wants. In addition, they also satisfy the aesthetic longings of the human heart. The role of household industries is, therefore, a social one and distinct from that of major industries. Besides, these industries have less or no exploitation and prevent concentration of wealth in a few hands. As small firm characterises these industries, the wages and profits in these firms are lower and volume of capital owned by each employer is smaller. Small firms therefore, cannot produce very rich persons. Nevertheless, two things are to be noted: (i) Wages and salary payment to workers are lower in traditional household industries than modern or in the large industries. (ii) The saving and tax generated by household industrial sector are generally less than in modern small scale and large industries. The household industries are thus weak in creating capital. So there is no possibility of concentrating capital in few hands. These industries are still important for the social welfare reason. It can be organised with small capital. This in turn increases their standard of living and quality of life. So, these

can help in reducing poverty in the country. These industries can be set up anywhere using locally available resources, thus help in the reduction unemployment problem. Moreover, household industries play an important role in removing regional disparities. The industrial development in a backward area can be achieved by the rapid development and promotion of household industries (Kulkarni, 2001).

2.2.9 Utilisation of Resources

Household Industries facilitate the tapping of resources which otherwise would remain unused. These resources include entrepreneurship, capital, labour and raw materials. They can mobilise rural savings, which may otherwise remain idle or may be spent on luxuries or channeled into non-productive ventures. Further, quite a sizable part of these resources like family labour, proprietors' own small savings etc. cannot be utilised by large industries, but these are objects of economic activities of many small industries. This is equally important for the household industries, as it is one of the important sub sectors of the cottage and small industries. These industries are considered 'domestic industry' with almost hundred percent 'domestic contents' (Agrawal, 2003). They provide opportunities to the small entrepreneurs to learn, to take risk, to experiment, to innovate and compete with others. Besides, even with the changing condition of economy, the system of mobilisation of skill and resource also undergoes a change, yet it is to be admitted that these industries are a good means of discovering and growing the latent resources of skill and other resources.

2.2.10 Short Gestation Period

Large and modern small-scale industries require gestation period for its establishment but for the small household industries it is not required. It is due to the fact that in the household industries all the work and the activities are organised in the household itself with the support of the family members.

2.2.11 Low Import Intensity

Household industries use locally available raw materials. The artisan workers work on them with simple indigenous tools. These industries do not require sophisticated technology. Therefore, the imports are not at all accounted for these industries.

2.2.12 Household Industries for Rural Development

A large segment of the rural population of our country depends on agriculture. The industrial sector is unable to absorb the growing population and the agriculture sector is already burdened with the growing unemployment and under employment. The development of household industries in the village areas would increase the income of the rural people and reduce the pressure on the land. Thus some degree of rural upliftment can be brought through the development as well expansion of household industries and can liberate the people from the poverty trap.

2.2.13 Household Industries and Cultural Heritage

Besides the contribution to the sustained development of the economy of the country, household industries form an important element in the cultural unity of the people. These industries flourish in rural life and function as connecting link between the various constituents of the society. They are also an important medium of cultural contacts among different nations. Household industries are creative products made by the skill of the hand without the help of modern machinery and equipments. India's rich cultural heritage and centuries of evolutionary tradition is manifested by the huge variety of artisanal products made all over the country. These are a mirror of the cultural identity of the ethnic people who make it. The artistic creations carry the minds of the people to other distant lands, and in this way propagate the rich heritage of our culture. Moreover, many of the artistic creations give glimpse of the various aspects of life of the many generations lived through centuries and also reflect the cultural life of the people.

2.2.14 Household Industries and Tourism

Tourism is number one industry of the 21st century and artisanal products are very much linked with it. Together they make a logical and powerful combination. These industries are an integral part of the tourism experience for international tourists. A good quality article taken home from an enjoyable holiday has continuing power to evoke wonderful memories, and indeed to arouse the interest of others who see it and to encourage them to visit the destination. But the linkage between tourism and household industries has not yet been fully explored, understood or developed, with a resultant loss of valuable revenue and job creation opportunities. Domestic and international tourist does not miss a visit to Delhi Haat if they are in town, and provide sizable revenue to the Delhi Tourism Development Corporation from gate money alone. Sale of

household industrial artistic articles to tourists can foster the continuity of local traditions and contribute significantly to poverty alleviation, through its ability to create jobs, socio-economic opportunities, and an enhanced quality of life in local communities. These industries have the capacity to create high added value. Money spent on artisanal products spread instantly and undiluted into the local community.

Tourism provides economic benefits as well as emphasizes the cultural and identity aspects of the local population of the host country and as a tool for job creation and raising the level of economic welfare. Among developing countries, international tourism is seen as a way to gain foreign capital. When the artisans begin to cater the tourist market, their work often loses its (authenticity) and the result is commodisation of culture. On the other hand, far from leading to a degeneration of arts and crafts, tourism contributes to their preservation and revival. Traditional artisanal industries are a vital part of country's cultural, national and popular heritage over the centuries. These articles have been associated with the style and mode of people's living.

It is necessary to recognise the importance of local household industrial articles in tourism development and reciprocally, the importance of tourism as an agent for the protection and preservation of traditional household industrial products, methods of production and culture.

Several studies, investigating into the performance, problems and prospects of small industries, especially household and rural industries, pertaining to various regions in the country have been under taken by various researchers. A critical review of these studies would be helpful in carrying out the present study. In what follows, therefore, is a review of literature relating to various aspects of household industries in different regions in the country.

2.3 Review of Literature

A comprehensive review of relevant studies and researches related to household industries is attempted here with a view to derive theoretical and practical insight into the various aspects of the problem to be investigated in the present study.

Keynes has focused his attention on the forces that determine employment policy followed in industrialisation. He propounded the theory that entrepreneurs will offer the amount of employment, which maximises their output and profit. Here he stresses the productivity of labour as the determining factor of the level of employment.

He has found a positive relationship among productivity of labour, output and employment (Keynes, 1936).

Lewis has strongly advocated the application of labour intensive techniques of production to have a steady and smooth economic growth. He opines that many important works can be done by human labour with very little capital. Efficient labour can be used to make even capital goods without using any scarce factors. In this sense, small industries should be developed and promoted especially in an economy where capital is scarce. He recommends the use of capital-intensive techniques only when they are necessary (Lewis, 1954).

Ranis and Fei have focused on the nature of the output employment conflict in the Indian context. They feel that only after 'a critical minimum effort' greater emphasis should be given to output rather than employment. By this criterion, they have tried to mean that the rate of labour absorption in industry should be greater than the rate of population growth (Ranis and Fei, 1961).

Dhar and Lydall have made their study on the data collected from Census of Indian Manufactures 1956, and the study prepared by the Perspective Planning Division of the Planning Commission in respect of capital, labour and output relations in various industries. They conclude that the issue of choice between large and small industries for the purpose of an employment-oriented industrialisation strategy is largely irrelevant, and it should aim at making the best use of scarce resources, instead of aiming at creating employment for the sake of employment (Dhar and Lydall, 1961).

Myrdal has discussed very competently the conflict between the traditional and modern ideology, problems of labour, its utilisation and relevance of artisanal products. According to him, the artisanal industry in the villages in South Asia is a strong one, particularly in poorer countries. He has observed that in the villages, there is no alternative employment for most of the artisan and the only possible way to improve their condition and indeed prevent a further deterioration in their living levels is to give them as much market protection as possible and at the same time improve their productivity (Myrdal, 1965).

Lakshman in his work on 'Cottage and Small Scale Industries in Mysore', presents various issues and problems of cottage and traditional household industries and speaks of the utilisation of personal discussion with administrators, artisans and entrepreneurs etc. in his study. The study propounds the importance of traditional small industries in the overall pattern of economic development. The issues like raw material

supply, productivity, financing, and problems of marketing have also been discussed in detail (Lakshman, 1966).

The book 'Small Industries in the Seventies' of Vepa will help the administrators and policy makers in developing countries to formulate the programmes for the development of small industries. This study describes extensively the experience of India and Japan. It also deals with the review of progress of small industries in other countries (Vepa, 1971).

Some studies have been undertaken on various programmes and incentives to small industries promotional activities of DICs and problems associated with the implementation of the promotional institutions and the problems faced by the entrepreneurship. SIET in its study on hire-purchase has observed that growth in the number of units and the expansion of capital intensity alone may not create the necessary impetus to the growth unless considerable productivity changes have also been effected through fuller capacity utilisation. Most of the units utilising full capacity have been either big export-oriented industries or local need based activities (SIET, 1972).

Menon has discussed the prospects of clay and pottery industry in the development of Kerala. He notices that this is one of the most potential sources of productive wealth and employment in Kerala (Menon, 1972).

Bharde, in his writing tries to bring awareness in the mind of the reader, of the necessity of the small village industries, in the wake of growing unemployment and under employment in the rural areas. He holds that these industries are capable of developing local initiative, co-operation and a spirit of self-reliance in the economy and at the same time help in utilisation of the available manpower for processing locally available raw materials by adoption of simple techniques (Bharde, 1972).

Malagawakar in his study of problems of small industry in Andhra Pradesh, has found the lack of infrastructure as a general problem. The infrastructural facilities were either very weak or non-existent. The study has found out that the incentives provided by the state and the centre were not within the reach of all the entrepreneurs (Malagawakar, 1973).

Gadgil presents a detailed picture of traditional industries in British period and also the reason for the decay of Indian village artisan works (Gadgil, 1974).

The National Committee on Science and Technology Report on Khadi and Village Industries have presented a gloomy picture of these industries as a source of

employment in industrialisation. The report shows that the 'compounded rates of growth of employment in these industries, as compared to growth of output, are very meager' (National Committee on Science and Technology, 1975).

In a study on rural industrialisation in India, Behari has examined the problems, possibilities and perspectives of rural industrialisation and discussed the crisis in Indian villages and the need for the new strategy of rural industrialisation and the fuller employment in the rural small industries (Behari, 1976).

Bharati holds that the promotion of small industries has been widely recognised as one of the most appropriate means of developing industry in developing countries, which are facing mounting pressure of population, an acute shortage in investable capital funds, and lack of entrepreneurial and managerial abilities (Bharti, 1978).

An assessment of the role of village industries in rural development is made by Arora in his work 'Industry and Rural development'. He has recognised that these industries could mitigate unemployment. In this respect, he discusses the present status and possible avenues of improvement and prospects of some of the important household based industries. He is of the view that full employment of the rural working force, largely unskilled, is a staggering problem. It has been noticed that the shift in the occupational structure of the rural areas has only been marginal during the last three decades and the absorption of the growing rural man-power in non-agricultural pursuits has not been very successful. It is here, that the experience of our industrialists and big commercial houses can be utilised in bringing about these changes (Arora, 1978).

Dandekar and Brahme's micro analysis of rural industries based on primary survey of two villages in Maharashtra Deccan has revealed that just as the urbanite's preferences lead him to buy imported goods whenever possible so also the villagers' preferences lead him to buy the products of the city whenever possible. With the growing integration of the rural-urban economy, the traditional industries are on the decline; few new industries have appeared and they are either location-tied or prefer the village location because of the owner's inherited land asset. To succeed, a household based rural industry has to latch into the urban economy and make a profit from urban money. There is either not enough surpluses in the village to allow the industry to thrive or whatever surpluses are there, is already largely flowing to cities. Rural small industry may not develop many forward and backward linkages with the villages around it (Dandekar and Brahme, 1979).

Datt and Sundaram strongly advocate the small-scale and household enterprises as an important component of an employment-oriented strategy of industrialisation. They have found that employment-output ratio is the lowest in the small sector while that employment generation capacity is eight times higher than that of large sectors (Datt and Sundaram, 1979).

Pathak has considered three criteria for purpose of identifying industries to energise rural area. These criteria are – (i) technical feasibility, i.e. output-capital ratio (ii) economic feasibility, i.e., surplus-capital ratio and (iii) social desirability i.e., capital- labour ratio. On the basis of these criteria, he has ranked the industries and prescribed certain top-ranked industries for rural industrialisation in three industrially backward districts of West Bengal (Pathak, 1980):

Bhattacharya has assessed the significant role of small and cottage industries in increasing income generation in backward areas and thereby attacking poverty in India, particularly in rural sector. According to him, the role of small and cottage industries in India is being increased and in the years to come, this tendency is expected to increase for various reasons of which removal of poverty is a part. He also analyses the progress achieved during the successive Five Year Plan (Bhattacharya, 1980).

Rastogi has made a case study of Madhya Pradesh, which he calls 'a unique case of growing unemployment and poverty amidst plenty'. He is in favour of small village industries, which made optimum use of indigenous techniques and local resources. He holds that there are hundreds of items, which can be produced in households and these industries are more economically stronger than the large industrial sectors (Rastogi, 1980).

Jain's paper discusses some policy and programme measures, necessary for the fuller development of decentralised industries. The paper is in three parts. Part-I presents the social and economic rationale for encouraging decentralisation of industry and assisting the development of village and small industries in the Indian context. Part-II is devoted to comments, mainly critical on past performances of official measures to encourage and strengthen the small and village sector and presents a series of suggestions for more positive action in future. The last part briefly discusses the special problems of development of decentralised industries in backward areas (Jain, 1980).

Moulik and Purushotham have discussed Khadi and Village Industries sector, which has the potentiality to generate employment opportunities at a low capital outlay

by harnessing skills of village industrial workers, offers a profitable alternative. The study examines the trends in the operation particularly employment generation in the sector and seeks to identify the factors underlying these trends (Moulik and Purushotham, 1980).

Mathur opines that the appropriate techniques in the consumption-goods sector will be a low degree of mechanisation creating incidentally a lot of employment per unit of investment of scarce capital (Mathur, 1980).

Kanvinde provides some thoughts on rural industrialisation through the development of household based industry and appropriate technology. He says that planning for rural industrialisation has not yet been well developed in the country particularly in view of expansion of employment opportunities. Among problems and suggestions the author felt that marketing of products is crucial to the viability of any programme of industrialisation. Selection of labour-intensive technology will have to be based on careful study of the market demand for products. In the credit planning exercises, he felt, that the bankers should also be associated with grass-root planning (Kanvinde, 1980).

In 'Rural Economy of India' Sadhu and Singh have stressed the need for small and cottage industries. They are of the opinion that the industrial development strategy so far adopted has emphasised the development of large industries neglecting the small industries. They argue that the solution to the chronic problem of unemployment and poverty in rural areas and the way to stop the tide of displaced rural artisans and workers from migrating to urban centres and adding to the formidable problem of urban employment, housing etc. lies in the rapid development of rural industries (Sadhu and Singh, 1982).

Papola's paper examines critically the concepts of rural industrialisation and rural small industries and reflects the problems of rural industrialisation in a contrasting frame-work, either as a problem of the spatial diversification of rural household industries in general or as a part of the process of rural development providing employment to the rural people and meeting their basic needs as the primary objectives. The paper examines the implications, attributes of each of these perspectives, and goes on to argue that rural industrialisation should be seen not simply as a way of providing some kind of employment to the rural people in order to prevent them from migrating to the towns, but as a dynamic element in the process of raising productivity and incomes of the workers in the rural areas. The author also examines the policy of rural

industrialisation in India to argue that the approach to the problem has been one of preservation rather than that of modernisation, i.e., establishment of linkages with the industrial sector in order to promote the development of rural areas and to provide better-paying employment to the rural people (Papola, 1981). In another study, covering six blocks of Varanasi and Gorakhpur of Uttar Pradesh, Papola has found that traditional rural industries are not as remunerative and competitive as modern rural industries. The study has noted that traditional rural industrial activities require less investment but at the same time yields very low incomes, whereas modern small industrial activities though required more investments, generate relatively high income. He therefore, argues in favour of modern small industries (Papola, 1982).

An empirical study of 200 units of small industries having fixed assets below Rs. two lakhs in the three districts of Haryana by Grover, Dak and Sharma have showed that traditional household industries, which in most cases are hereditary in nature, continue to dominate the industrial scene in the rural areas. And not much headway has been made in respect of introducing new or non-traditional industries. The continuance of the traditional industries is because of economic compulsions rather than their viability. As a corrective measure Grover, Dak and Sharma have pleaded for protective discrimination for modernising traditional household industries and widespread package service organisations for new entrepreneurs (Grover, Dak, and Sharma, 1983).

Sekhar in his study observes that the location policies are successful in narrowing the disparities of industrial location in different states. The value added and the employment are more equally distributed among the states during 1960 and 1975. He also examines intra-regional distribution of industry by comparing the degree of concentration of industrial employment in 1961 and 1971 by grouping cities by size and arrives at the conclusion that, for India as a whole, the degree of concentration of employment in household industry declined substantially between 1961 and 1971. However, the non-household industries maintained its level of concentration during the period (Sekhar, 1983).

Patel's paper stresses the need to promote rural artisans, household industrial products and cottage industries as they can contribute substantially towards economic and social uplift of the large chunk of our population that is rural. He has observed that for the exploitation of full potential of the village industries, an integrated approach is necessary since these traditional skills have been retained by the workers of different

regions and face various problems that need to be solved in a coordinated manner. It is therefore, suggested that a detailed analysis be carried out relating to their performance over the past ten years so as to identify their specific problems and to take suitable measures to remove them (Patel, 1983).

The study of Prasad and Prasad examines the role and potential of different small industries in increasing employment and income in rural areas with the help of data collected in Fatwah block of Patna District, Bihar. The hypotheses examined in the context are: (i) that a large number of man-days in a unit does not necessarily lead to a higher out-put (ii) that the productivity is closely related to the size of the unit (iii) that a positive and significant relationship prevail between output and value added per worker and (iv) that an increase in capital does not necessarily mean an increase in output. Since most of the rural industries run on household basis with small capital requirement, it is obvious that an increase in total capital for the purpose of bringing units to viable size would not take a sizeable chunk of additional capital except few industries (Prasad and Prasad, 1983).

Agarwal is of the view that the programmes of protecting and developing village and household industries do not necessarily form part of an economic policy, but becomes an article of faith. In this approach, the traditional household industries are quite often protected as a part of glorious tradition and as such, they deserve special care for their preservation and growth (Agarwal, 1983).

Rathnam opines that infrastructure development for industrialisation in the rural areas and investment in basic services designed to realise the full potential of the human resources in the rural areas should receive a high priority (Rathnam, 1984).

Sharma suggests that the programme of small rural industries would require constant support. The training and marketing infrastructures would therefore, have to be developed suitably for the sustenance and healthy growth of the rural industries programme (Sharma, 1985).

Thakur in his study clearly elaborates the role of small rural industries in Indian economy. According to him, rural industries provide clinical measure to many socio-economic ills which are widely prevalent in India because, according to him, such industries have a capacity to create more employment opportunities with low investment and shorter gestation. The study discusses the problems faced by these industries and has suggested schemes and plans for their development (Thakur, 1985).

Kamat stresses the need for eliminating the intermediary exploitation of the workers and suggests a co-operative marketing system for the traditional household products. His method of analysis is primarily based on the observation on the small industrial article producers (Kamat, 1986).

Sen in his work on Rural Industrialisation in India studied about the various aspects of rural small industries with particular reference to Orissa and Tamil Nadu states. According to him poverty can be attacked only by providing gainful employment opportunities to the masses. Large and medium scale industries have failed to solve the type of unemployment that we have as large proportion of idle manpower is concentrated in rural areas. In the past it was believed that rural unemployment could be tackled through agricultural development. But the green revolution in many states showed benefits of agricultural development are not enjoyed by the entire rural folk. In this context he suggested that rural industrialisation through the development of rural small industries has to be considered as a remedy to many of the rural ills (Sen, 1987).

Desai has comprehensively documented his knowledge about rural development. The study presents a kaleidoscopic review of the varied policy measures, programmes and specific issues in rural development in a lucid manner. He presents a micro-level analysis of the need for rural industries as an instrument for rural development. He opines that 'although agriculture is the mainstay of rural economy, rural industry is a complementary industry. The pressure of population on land is already great and increasing. Agriculture alone cannot absorb the entire labour force and hence the need for rural industries' (Desai, 1988).

Pandikar and Sud have conducted a study covering three blocks in a backward district, viz.: Alwar district of Rajasthan, with a view to assess the impact of the development of rural industrialisation programme in rural economy. The study identifies important limiting factors responsible for the insignificant impact of the rural industrialisation programme. The factors are: (i) 'the skill problematique' (ii) governmental inadequacies and (iii) institutional incapacities. The study leads them to conclude that government policies and programmes relating to rural industrialisation are not effectively implemented. The experience of Alwar demonstrates that mere declaration of an area as 'backward' and the consequent provision of concessional facilities would not bring forth the development of rural industries in that area. Moreover, the mere formulation of development programmes and publicity by official agencies in no way ensures the involvement of local people in such programmes. Thus,

the study by Pandikar and Sud is successful in shedding light on the hurdles involved for rural industrialisation in backward regions (Pandikar and Sud, 1986).

In contrast to the findings of Pandikar and Sud, Gupta finds that the policies and programmes of the Government of India for rural industries and the efforts of the state governments of Punjab and Haryana to facilitate the development of rural industrial sector in these states. The governmental measures have contributed for improvements in the design and quality of goods produced by artisan-oriented units through diversification and sharpening of skills and modernisation of techniques of production (Gupta, 1982).

Venkaiah, in his study on 'Impact of Agro based Industries in Rural Economy' makes an attempt to determine the impact of agro based industries on the transformation of the rural economy. He analyses the changing patterns of employment, occupations, wages, income, migration etc. in the rural areas and has studied the impact of agro based industries (Venkaiah, 1987).

Sinha's study is based on a sample of 113 rural industrial units covering 24 industries in three districts of Bihar. In this study, he has found that traditional household industries are inherited, caste-specific and hardly attracts entrepreneurship from other occupations. By and large, these household industries are not viable and due to declining market demand they are on the decline. He has found that most of the traditional industries are in stagnation or deteriorating condition. On the other hand, non-traditional industries are not caste-specific and these entrepreneurs have a wider base. Non-household industries, unlike household industries, are found to be viable with higher income, output and employment generating potential. He suggests measures for development of this problematic sector (Sinha, 1988).

The book 'Rural Development in India – Poverty and Development' authored by Reddy presents an overall view of the approaches, policies programmes and experiments of rural development in India. In the book the author has cited the significance of rural small industries in the development of national economy. The book discusses the problems of these industries and their development strategy (Reddy, 1988).

Baishya has made a critical appraisal of the role of small and cottage industries in the economy of Assam. He is of the opinion that small and cottage industries are most potential and abiding solution to the twin problem of economic resuscitation and of providing additional opportunity of work. He suggests appropriate technology as a

via-media between industrialisation for production by the masses through indigenous techniques (Baishya, 1989).

The National Council of Applied Economic Research has presented a report on survey of the handloom industry in Karnataka and Sholapur. This survey reveals the economy of the handloom industry in the five districts of Karnataka region namely Bijapur, Dharwar, Belgaum, North Kanara and Sholapur. The study includes an assessment of the production potential of the industry, its cost structure, financial and organisation problems and an estimation of the degree of under employment associated with it (National Council of Applied Economic Research, 1989).

Sankaraiah carried out a study in Chittoor district of Andhra Pradesh focusing on capital structure, employment, income generation, operation and problems and prospects of sample units of small rural industries (Sankaraiah, 1994).

Banujam has suggested that appropriate technology should be developed to promote the rural small industries (Banujam, 1996).

Murthy in his study has showed the importance of small industry in the sense that it provides subsidiary income, helps to distribute the workforce, raises the living standard of the weaker sections, increases the use of local source and promotes creative talent (Murthy, 1998).

Mali in his study has observed that small and medium enterprises (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalisation, therefore, they have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological up-gradation. Moreover, new small and medium enterprises may have to move from slow growth area to the high growth area and they have to form strategic alliance with entrepreneurs of neighbouring countries. Data bank on industries to guide the prospective entrepreneurs including investors from abroad is also needed (Mali, 1998).

Professor Khusro holds that if any attempt is made to create only employment without regard to efficiency, output and surplus it will soon end up with neither employment nor output or surplus. Accordingly Khusro suggests formulation of a strategy that depends on 'self-financing surplus generating schemes' (Khusro, 1999).

In a study covering small artisans in Kashmir, Singh and Gupta has tried to find out the roles played by commercial banks in financing small industries, the representatives of their enterprises to bank finance in the state in particular and the

country in general. They conclude that commercial banks have not been able to induce small artisans and small factories to benefit from bank finance (Singh and Gupta, 2005).

Narasaiah and Naidu in their study conducted in Kurnool district throws light on the problems and prospects of artisan workers and village industrial units (Narasaiah and Naidu, 2006).

A study by Shetty, covering a selected sample of household manufacturing units in small towns and villages of Maharashtra reveals that lack of capital resources, mainly working capital, poses the biggest constraints of their efficiency (Shetty, 2008).

The foregoing discussions based on review of literature, mostly relating to Indian experience confirms that there is no controversy about the prominent role of household industries in the national economy and all the studies support the view that small and household industries are not viable in their existing form and modernisation is essential. Otherwise, they are bound to decline, which would add to the problems further.

2.4 Conclusion

Indian economy is an underdeveloped economy. Its vast resources are either unutilised or under utilised. A major section of manpower is lying idle. Per capita income is low. In this situation, household industries can play a significant role as muscles for regional development. These industries require small capital and very simple tools. Moreover, they are labour oriented and provide employment. In the development of backward areas, they may be a valuable tool for development.

An overview on the types and occurrence of household industries in India has been presented in the next chapter.

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