

GIST OF KURUKSHETRA

August 2022

Rural Industries



Changing
Face of Rural
Industries



Rural Industries,
Entrepreneurship
and Infrastructure



Boosting Rural
Income



Roadmap for
Rural
Industrialisation



Export Potential
of Rural
Industries

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RANK 5

Utkarsh Dwivedi



RANK 6

Yaksh Chaudhary



RANK 12

Yasharth Shekhar



RANK 13

Priyamvada
Mhaddalkar



RANK 14

Abhinav Jain



RANK 15

Challapalle
Yaswanthkumarreddy



RANK 16

Anshu Priya



RANK 19

Diksha Joshi



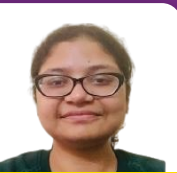
RANK 20

Arpit Chauhan



RANK 21

Dilip Kainikkara



RANK 25

Shruti Rajiakshmi



RANK 29

Bhavishya



RANK 31

Avinash V



RANK 33

Jaspinder Singh



RANK 35

Kartikeya Jaiswal



RANK 37

V Sanjana Simha



RANK 40

Kushal Jain



RANK 44

Anjali Shrotriya



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Singla



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CSE 2016

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Team BYJU'S

Gist of Kurukshetra August 2022 Issue: Rural Industries

Kurukshetra Magazine is a vital source of study material for the UPSC IAS exam. It is a monthly magazine that gives information about important government schemes and programmes in various sectors. Kurukshetra is an authentic source of information for the [UPSC Exam](#). Here, we provide the [Gist of Kurukshetra](#), exclusively for the IAS Exam.

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Chapter 1: Changing Face of Rural Industries

Introduction

- Agriculture and the allied sectors have always been instrumental to the process of rural development in terms of improving the quality of life and economic well-being of people living in rural areas.
- In the 1950s, agriculture accounted for about **50% of the Gross Domestic Product (GDP)** of the country and employed over **70% of the Indian workforce**.
- However, there has been a gradual decrease in the contribution of agriculture to the GDP which has reached about **18.4% in 2019-20**.
- The percentage of the labour force engaged in agriculture also experienced a fall as about **46.5% of the labour force are now employed** (2019-20).
- The recent trends suggest that the challenges of underemployment, disguised unemployment and seasonal unemployment remain key labour force issues in the agriculture sector.
- While these are critical issues to be resolved, there have been more concentrated policy efforts by the government to
 - Promote jobs in the MSME sector
 - Digitalise the service economy in rural areas
 - Create self-employment opportunities through rural entrepreneurship

History of Rural Industrialisation

- Rural industrialisation has been a high-priority area for policymakers since independence.
- The focus has been on **small-scale and cottage industries** as they were considered to be an instrument to facilitate the transition from the traditional and labour-intensive agrarian economy to an industrialised economy and as a platform for equitable distribution of national income.
 - This was highlighted in the **Industrial Policy Resolution (IPR) of 1948**.
- The fundamental issues associated with capital, skilled labour, raw materials and marketing were recognised and various measures were undertaken during the first five-year plan period.
- The Planning Commission of India devised the “**Report of the Village and Small-Scale Industries (Second Five-year Plan) Committee**” which is famously called the **Karve Committee Report** in the year 1955.
 - The report highlighted the challenges related to the over-centralisation of economic activities and moving from safeguarding small-scale industries to their development.
- The **Industrial Policy Resolution 1956** is said to be a milestone in the development of agro and rural industries.
 - The IPR 1956 said that measures of safeguarding small-scale industries will continue to be taken, whenever necessary, but the main aim of the State policy will be to ensure that

the decentralised sector acquires sufficient vitality to be self-supporting and its development is integrated with that of large-scale industry.

- The next two decades were focused on improving the competitiveness of rural and small-scale industries.
 - The **Third Five-Year Plan** focused on positive assistance like improvement of skill, providing technical advice, better equipment and credit, to progressively reduce the role of subsidies, sales rebates, and sheltered markets.
 - The **Fourth Five-Year Plan** mainly focused on providing a combination of incentives and disincentives for ensuring the decentralisation of small industries.
- The new **IPR of 1977** was promulgated which emphasised the importance of small-scale and cottage industries and provided them with the required thrust.
 - It further said that “whatever can be produced by small and cottage industries must only be so produced”.
 - The IPR 1977 classified the small sector into three broad categories:
 - Cottage and Household industries which provide self-employment on a large scale.
 - Small-scale industries incorporating investment in industrial units in plant and machinery of up to Rs. 1 lakh and situated in towns with a population of less than 50,000 according to the 1971 Census.
 - Small-scale industries comprising industrial units with an investment of up to Rs. 10 lakh and in the case of ancillary units with an investment of up to Rs. 15 lakh.
- The following IPR of 1980 and 1990 increased these investment limits to support the growth of small-scale industries.
- **Small Industries Development Bank of India (SIDBI)** was set up in 1990 to ensure an adequate and timely supply of credit for small-scale industries.
- There has been a monumental shift in the rural industries after the introduction of the **Micro, Small and Medium Enterprises Development (MSMED) Act of 2006**.

Micro, Small and Medium Enterprises (MSMEs)

- MSMEs have been hailed as the engines of growth.
- MSMEs started with the establishment and growth of India's khadi and coir industry, along with various industries situated in rural areas.
- India has an estimated 633.88 lakh MSMEs, of which 324.88 lakh MSMEs are based in rural areas.
- More than 63 million MSMEs spread across India contributed about 30.5% to the country's GDP in FY19 and 30% in FY20.

ESTIMATED MSME DISTRIBUTION BY SECTOR

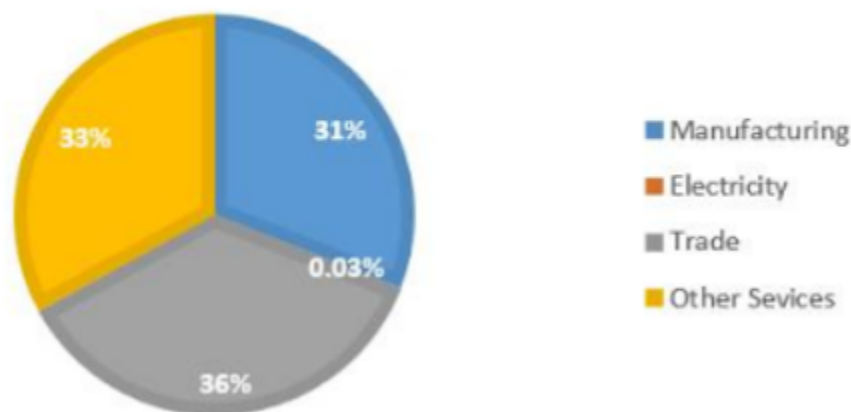


Image Source: IBEF

Know more about - [Micro, Small and Medium Enterprises \(MSMEs\)](#)

Key schemes by the Government to promote rural industries

- **Prime Minister's Employment Generation Programme (PMEGP):** It is a credit-linked subsidy scheme, for establishing new micro-enterprises and generating job opportunities in rural and urban areas of the country through the Khadi and Village Industries Commission (KVIC), State Khadi and Village Industries Board (KVIB) and District Industries Centres (DIC).
 - Since its inception in 2008, over 3.50 lakh micro enterprises have been established and

over 29 lakh jobs have been created from such units.

- Know more about - [Prime Minister's Employment Generation Programme](#)
- **Scheme of Fund for Regeneration Traditional Industries (SFURTI):** The scheme was launched in 2005-06 for making Traditional Industries more productive and competitive by organising the traditional industries and artisans into clusters.
 - Over 26 clusters have been granted final approval with a total project cost of Rs.72 crores benefiting around 25,000 artisans.
 - Read more about the SFURTI scheme in [PIB dated Feb 22, 2021](#).
- **A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship (ASPIRE):** Was launched in 2015 to promote Innovation and Rural Entrepreneurship through rural Livelihood Business Incubator (LBI), Technology Business Incubator (TBJ) and Funds for start-up creation in the agro-based industry.
- **Stand Up India:** This scheme provides composite loans between Rs.10 lakh to Rs. 100 lakhs for creating greenfield enterprises in the non-farm sector by SC/ST and women entrepreneurs.
- **Atal Community Innovation Centres (ACIC):** ACICs have been set up to nurture high growth and employment-generating start-ups across the country and are envisaged to serve the underserved areas of the country.
 - ACIC also operates a **Community Innovator Fellowship (CIF) Programme** in collaboration with UNDP India to facilitate knowledge building and provide infrastructure support essential for the entrepreneurship journey of aspiring community innovators.



Image Source: Atal Innovation Mission

Initiatives in the education sector

- The **National Education Policy (NEP) 2020** has laid a lot of focus on building foundational

literacy and numeracy skills among children.

- The NEP 2020 has emphasised imparting digital skills, vocational training and entrepreneurial training both at the school level and university level and has considered these activities as an integral part of the curriculum.
- Accordingly, the Government of India has launched the [NIPUN Bharat scheme](#) to attain foundational literacy and numeracy for children by 2026-27 in a mission mode.
- The NITI Aayog's **Atal Tinkering Lab (AIL)** has created a curriculum and a handbook on entrepreneurship for school students.

Conclusion

The Rural Economy has been a major contributor to the Gross Domestic Product of the country and sectors like agriculture have been a major force in the economy. However, their contribution to the economy has been stagnant in the last few years. The nonfarm sector holds immense potential provided that the entrepreneurs address the long-standing challenges in the sector. It's high time that the policymakers institutionalise the culture of entrepreneurship and deliver it to the last mile student.

Chapter 2: Rural Industries, Entrepreneurship and Infrastructure

Introduction

- In the recently held “**Udyami Bharat**” programme, the Prime Minister of India emphasised how economic development, especially in the aftermath of the pandemic, can be achieved through industrialisation.
- The creation of Micro, Small and Medium Enterprises (MSMEs) helps in employment generation and boosting exports.
- Government's measures to revive the economy are regarded as **four “Es”** namely, entrepreneurship, enabling environment, employment and exports.

Entrepreneurship

- Over 67% of India's population live in rural areas, after agriculture, it is the MSME sector which employs the largest number of people.
- According to a government survey released in 2017, about 11.13 crore people are employed in non-agricultural unincorporated enterprises, of which 45% are in rural areas.
- The promotion of entrepreneurship is important in expanding rural industrialisation, employment generation and arresting rural-urban migration.
- In 2020, a large number of enterprises were brought under the ambit of the MSME sector, by

removing the distinction in the definition of manufacturing and services and also by raising manifold the ceiling on investment which define MSMEs.

- Schemes such as the [Emergency Credit Line Guarantee Scheme \(ECLGS\)](#), **Raising and Accelerating MSME Performance (RAMP)**, and **Capacity Building Scheme for First Time Exporters (CBFTE)** have been launched to address issues like access to credit, strengthening institutional governance, access to markets, promoting innovation, etc.
- The industrial sector is resuming growth after the setback caused due to the pandemic and the MSEs are expected to benefit from this.

Infrastructure

- The introduction of the [Production Linked Incentive \(PLI\) scheme](#) aims at helping in scaling up industries and emphasising physical and digital infrastructure has been a concrete step in ensuring the momentum in the economic recovery.
- The growth of the industrial and services sectors has led to increased consumption of power and fuel.
- An efficient infrastructure is important in ensuring connectivity; access to raw materials and markets; and recognition of entrepreneurial opportunities.
- Consequently, there needs to be a synergy of development of industries, especially those of industrial hubs, with the bolstering of infrastructure.
- There has been a significant increase in capital expenditure of Indian railways in recent years, an increase in road construction per day (28 km in 2019-20 to 36.5 km in 2020-21) and structural reforms in the telecom sector.
- These developments are also highlighted in the [PM Gati Shakti](#) approach announced in Budget 2022-23.
 - The approach envisages seven engines of growth namely roads, railways, airports, ports, mass transport, waterways and logistics infrastructure.
 - These engines of growth are powered by energy transmission, IT communication, bulk water and sewerage, social infrastructure, and clean energy.

Employment

- The total workforce is estimated to be around 47 crores out of which 81% are in the unorganized sector.
- The pandemic, lockdowns and the closure of economic activities had a huge adverse impact on employment.

S. No.	Sectors	Number of Employees (in Lakh)			
		Prior to Lockdown (before 25.03.2020)		As on 01.07.2020	
		Male	Female	Male	Female
1.	Manufacturing	98.7	26.7	87.9	23.3
2.	Construction	5.8	1.8	5.1	1.5
3.	Trade	16.1	4.5	14.8	4.0
4.	Transport	11.3	1.9	11.1	1.9
5.	Education	38.2	29.5	36.8	28.1
6.	Health	15	10.6	14.8	10.1
7.	Accommodation & Restaurants	7.0	1.9	6.2	1.7

- However, the second round of the Quarterly Employment Survey (QES) for July-September, 2021 estimated that the total employment in nine non-farm sectors of the economy had grown to 3.10 crore from 3.08 crore (first round of QES for April-June, 2021)
- The unemployment rate in urban areas has decreased for both men and women from the first quarter of 2021 to the second, as per the Periodic Labour Force Survey Quarterly Reports.
- These indicate the positive impact of the multi-pronged approaches adopted for economic growth, in general, and the creation of jobs along with the formalisation of the job market, in particular.
- This growth in employment would be further boosted by initiatives such as the Udyam registration portal, portals of e-shram, National Career Service (NCS) and [AatmaNirbhar Skilled Employee Employer Mapping \(ASEEM\)](#).

Exports

- Exports are one of the key indicators of the health of the economy.
- With global demand being restored, in 2021-22, exports were 113% of their 2019-20 level.
- Total merchandise plus services exports stood at **USD 62.21 billion**, increasing by 24% in May 2022 over May 2021 level.

Merchandise/ Ser-vices	Trade	May 2022 (USD Billion)	May 2021 (USD Billion)	Growth vis-à-vis May 2021 (%)
Merchandise	Exports	38.94	32.30	20.55
	Imports	63.22	38.83	62.83
Services	Exports	23.28	17.86	30.32
	Imports	14.43	9.95	45.01
Overall Trade (Merchandise+ Services)	Exports	62.21	50.16	24.03
	Imports	77.65	48.78	59.19

- The contribution of merchandise industrial goods has increased from 86% in 2020-21 to 89% in 2021-22.
- The key drivers of growth in exports are engineering goods, petroleum products, electronic goods, etc.
- Further, about 50% of the merchandise exports are estimated to be from the MSME sector.

Way forward

- The positive impact of a reinforced infrastructure, especially in rural areas, augments the impact of industrial development.
- A concerted effort is required to achieve the set targets and ensure inclusive growth and ascertain that the announcements made in the Atma Nirbhar package succeed in making entrepreneurs self-reliant and ensure economic development through industrial growth.

Chapter 3: Boosting Rural Income

Introduction

- The impact of industrialisation on lives and livelihoods is significant as industrialisation not only improves wages and employment but also other important aspects of human development like housing, healthcare, education, financial inclusion, connectivity and transport.
- These benefits are not only limited to the citizens in urban areas but also percolate to those living

in rural regions.

- However, a large proportion of the rural population still depends on agriculture and rural industrialisation is seen as a key to boosting rural income and employment.
- Multi-pronged strategies have been formulated by the Government to address rural poverty and improve the economic wellbeing of the people in rural areas with the main focus on increasing livelihood opportunities, empowering rural women, providing a social safety net, skilling rural youth, rural industrialisation, infrastructure development, reducing migration to urban areas, etc., through various programmes.

Village Industries Programme

The Village Industries Programme is mainly classified into seven groups for the purpose of implementation of the various programmes, which are:

- Agro Based and Food Processing Industry (ABFPI)
- Forest Based Industry (FBI)
- Hand Made Paper and Fibre Industry (HMPFI)
- Mineral Based Industry (MBI)
- Polymer and Chemical Based Industry (PCBI)
- Rural Engineering and Bio-Technology Industry (REBT)
- Service and Textile Industry

Various programmes undertaken to boost rural income and employment

- **Scheme of Fund for Regeneration of Traditional Industries (SFURTI)**
 - The scheme is implemented by the Ministry of Micro Small and Medium Enterprises (MSME) with an aim to organise traditional industries and artisans into clusters, make them competitive and increase their income.
 - SFURTI clusters are of two types:
 - **Regular Cluster** (500 artisans) with government assistance of up to Rs. 2.5 crores.
 - **Major Cluster** (more than 500 artisans) with government assistance of up to Rs. 5 crores.
 - The government supports the clusters in:
 - Upgradation of infrastructure by developing Common Facility Centres
 - Training and skill development of artisans
 - Developing new market linkages, including e-commerce tie-ups
 - From 2014-15 till 31-03-22, 498 clusters have been approved under SFURTI in the country with government assistance of Rs. 1,29,493 lakhs benefitting close to 3 lakh

artisans.

- **Prime Minister's Employment Generation Programme (PMEGP)**
 - The scheme has been implemented by the Ministry of MSME since 2008-09.
 - KVIC is the nodal agency.
 - KVIC at the national level is responsible for creating self-employment opportunities by establishing micro-enterprises in non-farm sectors.
 - Under [PMEGP](#), General Category beneficiaries can avail of a Margin Money subsidy of 25% of the project cost in rural areas and 15% in urban areas.
 - For Special Categories such as SC/ST/OBC/minorities/women/ex-servicemen/physically handicapped /NER/Hill and Border areas, the Margin Money subsidy is 35% in rural areas and 25% in urban areas.
 - Since its inception, over 7.8 lakh micro enterprises have been assisted and provided employment to over 64 lakh people.
 - Further, the scheme has been successful in generating rural employment spread across various social categories.
- **Schemes Being Implemented by Coir Board**
 - The Ministry of MSME through the Coir Board is implementing various schemes for improving the Coir industry in the country under the Umbrella Scheme called “**Coir Vikas Yojana**”.
- **Programmes under KVIC**
 - **Bee-Keeping (Honey Mission):** KVIC launched the Honey (Bee) Mission in July 2017 for promoting beekeeping and generating employment in the beekeeping potential states of the country.
 - **Pottery Programme (Kumhar Sashaktikaran):** Under this programme, KVIC identifies the areas where clusters of traditional pottery workers are available and provides them training, electric pottery wheels and other tools like blunger, Pug Mill, etc.
 - **Khadi Vikas Yojana (KVI):** KVIC implements Khadi Vikas Yojana for the promotion and development of Khadi activities (KVI) in the country, through various components like Modified Market Development Assistance (MMDA), Interest Subsidy Eligibility Certificate (ISEC), Workshed Scheme for Khadi Artisans, etc.
- **Ministry of Rural Development**
 - **Start-up Village Entrepreneurship Programme (SVEP)** - which is a scheme under Deendayal Antyodaya Yojana-National Rural Livelihoods Mission ([DAY-NRLM](#)).
 - The objective of the scheme is to help the rural poor set up enterprises at the village level in non-agricultural sectors.

Conclusion

Agriculture is unable to sustain the large swathes of the population in India and more non-farm employment opportunities must be harnessed. In this context, various programmes undertaken by

various ministries and bodies are slowly helping in industrialising rural India and creating much-needed employment opportunities for rural youth.

However, efforts from both public and private sources must be scaled up to ensure that rural youth are able to find gainful employment in the villages and towns such that the advantages of the country's demographic dividend are realised.

Chapter 4: Unlocking Rural Industrial System

Significance of Rural Industries

- Rural India is seen as a resource for drawing immense human capital as the rural population accounts for about 58.8% of the country's population and with over 72.4% of the workforce residing in these areas.
- The Vision for India@75 under the leadership of the Prime Minister is seeing "Rural India" as an asset laden with great potential to speed up the country's economic development.
- The PM of India has said that "India's strength lies in her villages" and the main aim of the government is to bridge the differences between rural and urban India.
- The rural economy constitutes nearly 46% of national income and hence Rural Industrialisation can act as a key to further unlocking the economic and social development of the country.
- Start-ups are seen as the backbone of New India and various start-ups are encouraged in social and non-farm sectors of the village.
- Digital inclusion and financial assistance through various government programmes are providing momentum to advance industrialisation and ease of living in rural areas.
- Rural Industrialisation can serve both rural and semi-rural areas.
- Setting up of rural industries will facilitate raising the living standards of the rural population, alleviating poverty, slowing down urban migration, creating off-seasonal jobs, increasing women's participation and uplifting their social status.

Classification of Rural Industries

The rural Industries in India are classified on the basis of scale and primary functions. As per the Eighth Plan, rural industries are classified into four categories namely,

- **Traditional Village Industries** - which include Khadi, leather tanning, woodwork, artisan industries, handloom, handicrafts, coir, sericulture and wool development, etc.
- **Heavy Industries** - include mini-steel plants, fertilizer plants, pesticide manufacturing plants, ancillary engineering units, etc.

- **Medium Group Industries** - include mini-cement plants which use molasses or coal as energy, minor paper plants, etc.
- **Light Industries** - include animal feed and fodder industries, industries producing building materials and roofing materials, agricultural implements and machinery, etc.

Agriculture and Allied Sector: Linkages Between Farmers and Industry

- The rural population is majorly dependent on agriculture and allied sectors as a source of livelihood.
- Agro-based industries help create employment and prevent rural to urban migration.
- Agriculture and allied sectors grew at a growth rate of 3.6% during 2020-21 with a share of 18.8% in the total Gross Value Added (GVA) in 2021-22.
- Allied sectors including animal husbandry, dairying and fisheries play a vital role in the economy and are steadily emerging to be a progressive contributor to the overall growth of the agriculture sector.
- Further, the livestock sector has been growing at a Compound Annual Growth Rate (CAGR) of 8.15% from 2014-15 to 2019-20.
- Production of milk, egg and meat is also posting increasing numbers.

Schemes Steering the Wheels for the "Make in India" and Agri-rural enterprises

Rural industrialisation has been encouraged under the Government's flagship mission - ["Make in India"](#). Various multi-sectoral schemes have been implemented across Ministries to encourage rural participation at the grassroots level. They include:

- **Prime Minister's Employment Generation Programme (PMEGP):**
 - It is a credit-linked subsidy scheme introduced for setting up new micro-enterprises in rural and urban areas of the country through the [Khadi and Village Industries Commission](#) (KVIC), State Khadi and Village Industries Board (KVIB) and District Industries Centre (DIC).
 - PMEGP has been implemented since 2008-09 with KVIC as a nodal agency at the national level responsible for generating employment for people by setting up micro-enterprises mainly in the agro and rural sector.
 - Small farmers are encouraged to set up cottage industries such as Agri-Based and Food Processing Industries, Forest-Based Industries, Handmade Paper Fibre industries, Mineral Based Industries, Polymer and Chemical Based Industries, Rural Engineering and Bio-Technology Industries and Service and Textile Industries.
 - Since its inception and till 2021, over 7.38 lakh new micro-units have been assisted, generating employment opportunities for about 60 lakh people.
- **A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship (ASPIRE):**
 - Technology and innovation are the sunrise sectors that are key enablers in rural

development.

- A network of technology centres and incubation centres are set up to accelerate entrepreneurship and start-ups for innovation in the agro-industry under the purview of ASPIRE.
- The ASPIRE programme was launched in 2015 and includes training and incubation support to prospective entrepreneurs in the agro-rural sector through rural **Livelihood Business Incubator (LBI)**, **Technology Business Incubator (TBI)** and **Fund for Start-up**.
- This scheme aims to enable development at the district level and facilitate innovative business solutions for unmet social needs and promote the competitiveness of the MSME sectors.

Start-ups: Bringing the Spirit of Entrepreneurship in Rural Areas

- Start-ups can be a catalyst in promoting rural industrialisation and the “Startup India” is a flagship initiative of the Government which aims at building a strong ecosystem for nurturing innovation and start-ups in the country.
- According to the Ministry of Commerce and Industry, there is at least one recognised start-up from every State and UT and close to 50% of the recognised start-ups are from tier-2 and tier-3 cities.
- Agri-tech start-ups are reforming the agro-industry sector, enhancing the efficiency of agriculture and allied sectoral activities.
- The “**Innovation and Agri-Entrepreneurship Development**” programme was started in 2018-19 under Rashtriya Krishi Vikas Yojana ([RKVY-RAFTAAR](#)) for providing technical and financial support in nurturing the incubation ecosystem.
- New start-ups are being supported through **Agriculture Innovation Fund (NAIF)** started by the Indian Council of Agriculture Research (ICAR).

Rural Women Empowerment

- Rural women's participation in the workforce was estimated to be 24.8% and out of which 80% are engaged in agriculture and allied sector.
- KVIC has implemented various schemes for the improvement of socio-economic conditions of rural women and has provided livelihood to 4.65 lakh persons out of which more than 80 percent of artisans are women.
- KVIC under its flagship PMEGP scheme has facilitated a unique model of agarbatti (incense sticks) manufacturing units for tribal women who are covered under the special category of the PMEGP scheme.
- A digital information platform named **Udyam Sakhi portal** was launched in 2018 that provides information on programmes of the MSME sector.
- Most of the coir units in the country are located in rural areas and it is estimated that 80% of the

workforce in this sector are women. To mainstream women's role in the coir industry, the **Mahila Coir Yojana (MCY)** was initiated.

Food Processing Industry: Opportunity for Rural Areas

- Food processing is a major source of employment and income generation for rural India. It is an important segment of the Indian economy in terms of its contribution to GDP, employment and investment.
- The Government has introduced schemes to provide financial assistance for setting up and modernising food processing units, creation of infrastructure, and support for research and development.
- Central Sector Umbrella Scheme namely **Pradhan Mantri Kisan Sampada Yojana (PMKSY)** has been implemented by the Ministry of Food Processing Industries (MoFPI) since 2017 for the development of the food processing sector.
 - The components of the PMKSY Scheme include Mega Food Park, Integrated Cold Chain and Value Addition Infrastructure, Creation or Expansion of Food Processing and Preservation Capacities, Infrastructure for Agro-Processing Clusters, Creation of Backward and Forward linkages, Food Safety and Quality Assurance Infrastructure, Human Resource and Institutions.
- **Pradhan Mantri Formalisation of Micro Food Processing Enterprises Scheme (PMFME)** which is another credit-linked subsidy package is also implemented by the Ministry of Food Processing under the Atma Nirbhar Bharat Initiative to promote rural industries.

Traditional Goods Industry: Boosting Rural Artisans

- Traditional industries have evolved and become productive and competitive.
- **A Scheme of Fund for Regeneration of Traditional Industries (SFURTI)** was initiated to recognise the talent, creativity, and enterprise of hard work of rural artisans in a variety of fields, ranging from food products to handicrafts; leather products to ayurvedic medicines.
- This scheme has enabled to meet the market demand and the profitability of the clusters in a sustainable manner.
- Between 2015 and 2021, 434 clusters have been approved with a Government grant worth Rs. 1,106 crores that will benefit about 2.50 lakh artisans.

Allied sectors -Animal Husbandry, Dairying and Fisheries Sector: Future Industries

- India is the largest milk producer in the world and the dairy sector contributes around 65-70% to the livestock GVA.
- Dairy is a high-priority sector for the Government due to its socio-economic significance of employing over 80 million farmers directly.
- To boost the livestock sector and make the dairy sector more remunerative, the Prime Minister

announced a Rs. 15,000 crores **Animal Husbandry Infrastructure Development Fund (AHIDF)**.

- This is a central sector interest subsidy scheme that envisages the promotion of investment by private players and MSMEs in dairy, meat processing and animal feed plants.
- The Department of Animal husbandry has realigned all its schemes into 3 categories:
 - **Development Programmes** such as [Rashtriya Gokul Mission](#), National Programme for Dairy Development (NPDD), National Livestock Mission (NLM)
 - **Disease Control programmes** such as Livestock Health and Disease Control (LH & DC) and National Animal Disease Control Programme (NADCP)
 - **Infrastructure Development**
- India is the second largest fish-producing country in the world accounting for 7.56% of global production. The fisheries sector is recognised as a powerful engine for employment for around 14.5 million people and sustaining the livelihood of around 28 million fishers and fishermen of the country.
 - To boost the fisheries sector, various schemes were implemented namely the [Pradhan Mantri Matsya Sampada Yojana \(PMMSY\)](#), **Fisheries and Aquaculture Infrastructure Development Fund (FIDF)**, **Kisan Credit Card (KCC)**, **start-up challenges, etc.**
 - These schemes further strengthen the value chain, including infrastructure and modernisation.
- Poultry keeping has been practised by rural people since time immemorial and programmes such as **Rural Backyard Poultry Development (RBPDP)** and **Innovative Poultry Productivity, Poultry Venture Capital Fund (PVCFF)** are implemented by the Department of Animal Husbandry to provide financial assistance to modernise poultry sector, promote entrepreneurship and employment.

Digital Inclusion: Empowering Rural Population and Industrialisation

- Technology plays a lead role in the transformation of an economy.
- Digital inclusion at the village level can transform the lives of rural communities and the Government of India has introduced a **Digital Literacy Programme** for rural areas through **Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA)** in 2017.
 - The Scheme envisages making six crore people in rural areas digitally literate.
- Make in India, start-up India, Smart Cities, e-NAM, e-Visas, One Nation One Ration Card, Digital payments, etc. are all successful technology-based programmes.

Conclusion

Rural industrialisation can play an important role in achieving multiple development objectives like employment generation, structural transformation and poverty alleviation among others.

Rural Industrialisation can be expedited by scaling up development programmes to enhance the participation of the rural population and skill development, start-ups with financial assistance, access to education, healthcare, and new technology can play a significant role in rural development.

Chapter 5: Roadmap for Rural Industrialisation

Background

- COVID-19-induced pandemic has given rise to various socio-economic challenges for India and the most critical one being the challenge of reviving the economy.
- India must re-engine and reconfigure its socio-economic set-up.
- One of the main drivers of this reconfiguration is the behaviour of migrant labourers as India has an estimated 497 million workers out of which about 94% work in the unorganised sector.
- A large percentage of this population has been severely hit by [COVID-19](#).
- Further, India has witnessed a phenomenal increase in rural-to-urban migration due to declining opportunities in rural areas, dwindling returns from agriculture, and rapid urbanisation/industrialisation in cities which has led to a mushrooming of slum clusters in cities, resulting in a severe strain on the urban infrastructure such as water, sewage, transport and on social infrastructure and resources.
- Against this backdrop, it is important to understand the concept of rural industrialisation.

Major advantages of rural industrialisation

- Small and cottage industries require low capital investment
- Rural industries can take more advantage of local resources
- Transaction costs can be avoided by catering to local demand
- Employment generation
- Facilitate reverse migration from urban to rural areas
- Contribution to capital formation
- Useful in generating more sources for the demand and supply opportunities for the large-scale industries

The three-way approach for increasing the rural industrialisation

- Agriculture diversification by exploring the opportunities by farming completely a new range of grains, fruits or vegetables
- Establish agro-food processing units or related units like beverages production and many others
- Non-farm product business establishment by promoting local rural artisan work

Initiatives taken by the Government of India to promote rural industrialisation

- **Scheme of Funds for Regeneration of Traditional Industries (SFURTI):** Launched by the Ministry of MSME in 2005, it aims at ensuring that the various traditional clusters of industries like bamboo, honey, Khadi spread throughout the country, especially in rural India.
- **A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE)** Initiative to set up incubation centres and a network of technology centres for enhancing entrepreneurship across India.
- **Prime Minister's Employment Generation Programme (PMEGP):** Credit-linked subsidy scheme launched by merging two schemes namely **Prime Minister's Rozgar Yojana** and **Rural Employment Generation Programme**.
- **Pradhan Mantri MUDRA Yojana:** Micro Units Development and Refinance Agency Ltd (**MUDRA**) provides refinance support to Banks for lending to micro units having loan requirements of up to Rs.10 lakh.
 - Launched in 2015, it provides its services to small rural and semi-urban entrepreneurs outside the service area of regular banks
 - As of March 2022, the number of loans sanctioned under the Pradhan Mantri MUDRA Yojana (PMMY) was 48.92 million and the amount disbursed was Rs. 3,02,948.49 crore.
- **Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE):** Facilitates credit to MSME units through collateral-free credit facility extended by eligible lending institutions to new and existing micro and small enterprises.
 - The Ministry of MSME and Small Industries Development Bank of India (SIDBI) have jointly established a Trust named **Credit Guarantee Fund Trust for Micro and Small Enterprises** in order to implement Credit Guarantee Scheme for MSMEs.
 - The corpus of CGTMSE is contributed by the Union Government and SIDBI.

Way forward

- To accomplish the goal of achieving a USD 5 trillion economy as well as Atma Nirbhar Bharat by 2025, rural revitalisation requires a transformative approach that envisions making rural areas a better place to live and work.
- Growth in rural areas should be driven by agro-based industrialisation, which may gradually shift to the non-farm sector.
 - This requires investment in post-harvest rural activities, such as agro-processing, packaging, cold chains, cold storage and transport.
- A strong linkage between farm and non-farm sectors needs to be developed for augmenting income and creating jobs in rural areas.
 - Such a linkage will help the farm sector to produce market-driven commodities, reduce transportation costs, receive remunerative prices at the farm gates, and minimise farm waste.
 - The role of rural-urban linkages can be a key driver in rural transformation

Chapter 6: Agribusiness and Rural Industries

Agriculture and allied sectors in India

- Agriculture plays a significant role in securing food and livelihood in developing countries like India.
- Though agriculture and allied sectors contributed around 20.2% as the percentage share of gross value addition of agriculture and allied sector to the total economy in the year 2020-2021, the [International Labour Organisation](#), in the year 2020 reported that employment in agriculture was close to 42% of total employment in India.
- Post pandemic in 2020-2021, the situation has changed due to the reverse migration to rural areas and more people are expected to become part of the agricultural sector.
- As per the Indian Council of Agriculture Research (ICAR), India has 15 agro-climate zones and all types of weather conditions and soil types that are capable of growing a variety of crops.
- Further, India is one of the largest producers of milk, spices, pulses, tea, cashew, jute, rice, wheat, oilseeds, fruits and vegetables, sugarcane and cotton.

Agribusiness in India

- Agribusiness is a process, and activities of the agricultural sector integrated in terms of production, processing, marketing, and shipments.
- The process of an agribusiness enterprise involves the selling of either input to farmers/traders or output to traders/consumers.
- In 1957 two Harvard Economists, namely Davis and Goldberg, introduced the term “Agribusiness” in their book “**A Concept of Agribusiness**” and defined agribusiness as the sum total of all operations involved in the manufacture and distribution of farm supplies; production operations on the farm; the storage, processing, and distribution of farm commodities and items made from them.
- Agribusiness can be grouped into three categories namely:
 - Farm supply
 - Farm production
 - Processing distribution

Sectors of Agribusiness

- **Input Sector** - inputs play a crucial role in agriculture production and productivity. Ensuring adequate and safe inputs are essential for output both qualitatively and quantitatively.
 - In agriculture, the inputs are either biological or chemical or inorganic compounds.
- **Production Sector** - mainly deals with the production of crops, rearing the animals for consumption, or serving as raw materials to produce secondary products.

- **Processing and value addition** - is the most important sector of agribusiness in the Indian context.
 - It deals with the refining and transforming agricultural products available in production with suitable technology to add value to the product, which facilitates easy consumption of the end consumer.
- **Marketing and Sales** - this sector makes agricultural products available to those that need them and also sells agricultural inputs like seeds and fertilizers to those in the production sector of agribusiness. It consists of wholesalers and retail companies.
- **Support Sector** - provides support to all other sectors in the form of human capital development, knowledge development, training, providing financial support, and sensitisation of individuals.

Importance of Agribusiness for Rural Development: The Indian Context

- With a huge reliance on agriculture and increasing demand due to an increase in the population and their purchasing power, there is a huge scope of agribusiness in India, especially in rural areas.
- Agribusiness has the potential to transform the employment and livelihood scenario of rural India.
- Agribusiness can play a major role in sustaining food production and improving agricultural practices to ensure an abundance of food supply.
- Agribusiness can also help in addressing numerous challenges faced by small and marginal farmers.

Various initiatives undertaken to promote Agribusiness

- **Integrated Scheme for Agricultural Marketing (ISAM):** the scheme was launched in 2013 with an aim to create and integrate agricultural value chains, utilise the information and technology, establish a nationwide network, catalyse private investment to agribusiness projects, and enhance research, training, and development.
- **Agri-Clinics and Agri-Business Centres Scheme (ACABC):** introduced by the Ministry of Agriculture and Farmers' Welfare, is a flagship programme and is implemented in collaboration with NABARD.
 - It aims to better farming practices and add value to the product and transform the agricultural product. It also provides expert advice and services to farmers.
- **The Union Budget 2022-23 has laid a plan to promote agri-tech start-ups:** in this initiative, the NABARD would support setting up start-ups and rural enterprises.
 - There are mentions about improving the inflow of investment in agriculture, agri-logistics, agri-services, and dissemination of knowledge of farm-based activities.
- The **Government of India and the [Asian Development Bank](https://byjus.com) signed a USD 100 million loan** to promote an agribusiness network to boost farm incomes and reduce food losses.

Chapter 7: Export Potential of Rural Industries

Contribution of Rural Industries

- The rural industries operate mainly on a small scale and are governed by the philosophy of production by masses, not by mass production.
- Rural industries play a significant role in creating employment in the rural sector based on non-farming activities with a greater emphasis on small-scale activities which help in attaining the goals of participative management and inclusive development
- Considering the overall growth strategy of the nation where villages contribute a major share to GDP, there is a need to relook not only at the production of goods and services for local consumption but also for export purposes.
 - The export potential of rural industries needs to be harnessed as it contributes to foreign exchange earnings, and also helps in correcting deficits in the balance of payments.
- Rural industries help moderate foreign exchange rate fluctuation and help in higher foreign exchange reserves. This eventually will help in achieving the twin goals of the **USD 5 trillion economy** and **Atma Nirbhar Bharat**.
- Shifting the focus of rural industries towards export will open up the scope for new ideas, innovations, diversity, and sustainable business models in rural areas.

Khadi Industries

- The main items exported under khadi are ready-made garments, textile-based handicrafts, charkha, silk and muslin.
- Other products such as hand-made paper, leather, honey, papad, pickle, jam, jelly and also herbal products like henna, herbal shampoo, and face scrub are also a part of this export basket.
- **Key export destinations include:** the US, Japan, UK, Canada and Middle East nations.
- **Various challenges:** high competition, high transaction cost, lack of awareness, marketing and promotional issues.

Handicraft Industries

- Handicrafts constitute an important segment of the decentralised/unorganised sector of our economy.
- Handicrafts have big potential as they hold the key to sustaining not only the existing set of millions of artisans, but also for an increasingly large number of new entrants in the crafts activity.
- The handicraft sector is contributing substantially towards employment generation and exports
- **Various challenges:** unorganised nature of the industry, lack of education, capital, poor exposure to new technologies, absence of market intelligence.

Handloom Industries

- The handloom sector is one of the largest unorganised economic activities and is an integral part of the rural and semi-rural livelihood.
- Handloom weaving constitutes one of the richest and most vibrant aspects of the Indian cultural heritage, and provides direct and indirect employment to about 35 lakh weavers and allied workers.
- The sector has the advantage of being less capital intensive, eco-friendly, has the flexibility of small production, openness to innovations and adaptability to market requirements, requires minimal use of power, and has great export potential.

Coir Industry

- Coir industry is a rural-based agro-industry which has great potential for export.
- States like Kerala, Tamil Nadu, Karnataka, Andhra Pradesh and Odisha have a large potential in coconut products including coir.
- The immense opportunities in this industry need to be leveraged to avail of the benefits and hence the role and importance of this industry are very critical.

Export Potential of Rural Industries

- The role and significance of export in the economic growth process are known as the “export-led growth hypothesis”.
 - This entails the promotion of export in the global economy and acquiring foreign exchange reserves and helps in importing high-tech technology and services with greater multiplier effects.
- Export provides a big push to skilled labour and promotes the use of advanced technology and linking the production of these sectors to the export market is the best way to stimulate the rural economy and thereby facilitating connection with the agriculture market and open-up employment opportunities.
- In recent years especially post the pandemic, the export of agro-based products has increased reasonably even after meeting the growing needs of domestic consumption.
- India's agriculture policy and related initiatives facilitate the path to a "farmer-oriented strategy" in the attainment of food security and to become the leading agro-based exporter in the world.

Chapter 8: Livelihood Promotion for Women under DAY-NRLM

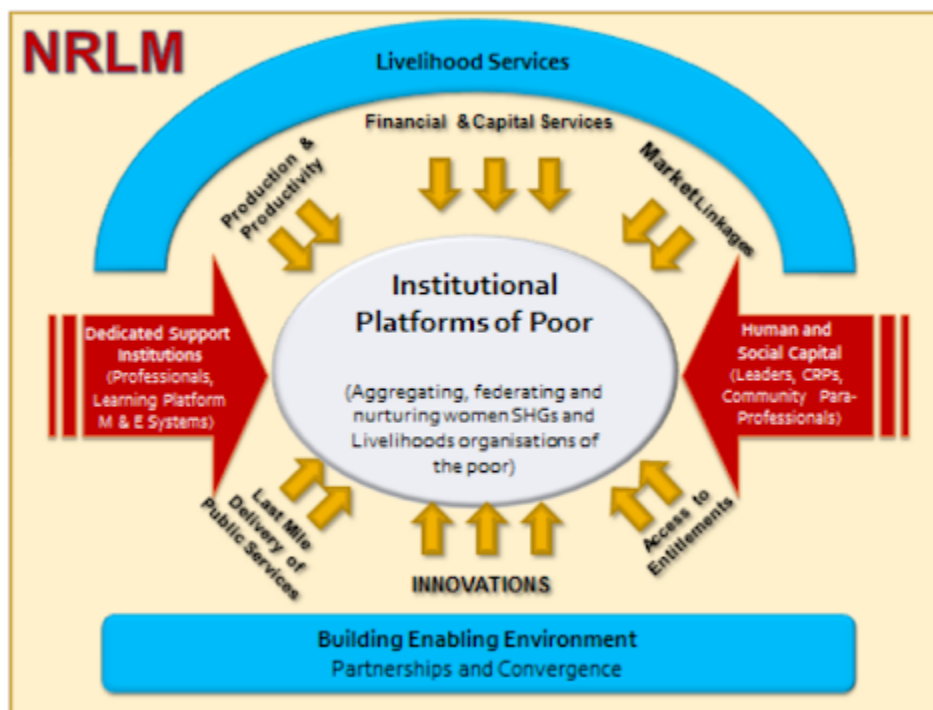
Deendayal Antyodaya Yojana - National Rural Livelihood Mission (DAY-NRLM)

- DAY-NRLM is one of the self-employment programmes of the Government which seeks to

organise about 10 crore households into Self Help Groups (SHGs) and link them to sustainable livelihood opportunities by building their skills and making available financial, technical and marketing resources at the grassroots level.

- **Objectives:**
 - Social mobilisation and promotion of sustainable community institutions of the rural poor
 - Financial inclusion of the poor
 - Sustainable livelihoods
 - Social inclusion, development and convergence

Key features of DAY-NRLM



- **Universal Social Mobilisation:** At least one-woman member from each poor rural household needs to be brought into the SHG network. Poor households would be identified through a participatory process and approved by the Panchayati Raj Institutions.
- **Implementation by the Poor:** The poor are the cornerstone of the entire strategy of overcoming poverty with their participation in different activities.
- **Convergence with Various Programmes and Panchayats:** Convergence of NRLM with other programmes of the Ministry of Rural Development, other central ministries and programmes of state governments is another important feature of the programme.
- **Exit Strategy:** The mission has adopted an exit strategy from various processes after achieving its objectives.
- **Promotion of SHG Federations:** DAY-NRLM as a strategy of its institutional development,

deepening governance, achieving transparent financial management, and maintaining accountability envisaged in forming federations at village level known as Village Organisation (VO), cluster of villages level federation known as cluster federation (CF) and blocks level federation known as block federation (B0s).

- **Institution Building and Capacity Building:** Building institutions for the poor and capacity building through training is a vital component of the DAY-NRLM to enable the poor to overcome poverty through access to financial, technical, and marketing resources.
- **Financial Inclusion:** For financial inclusion, each SHG is to be linked to banks to access all financial services from them including loans. Financial services are also provided in remote areas with the help of a woman belonging to SHG acting as Banking Correspondent Sakhi with the help of banks and Common Service Centres.

Sub-schemes

- **Mahila Kisan Sashaktikaran Pariyojana (MKSP):** launched with the objective to empower women in agriculture and NTFP by making systematic investments to enhance their participation and productivity in agriculture-based livelihoods.
- **Start-up Village Entrepreneurship Programme (SVEP):** supports entrepreneurs to set up small businesses in rural areas.
- **Aajeevika Grameen Express Yojana (AGEY):** programme provides safe, affordable, and community-monitored transport services to rural areas.
- **National Rural Economic Transformation Project (NRETP):** the programme has successfully been establishing DAY-NRLM's "proof of concept" in 13 high-poverty states by helping the State Rural Livelihood Missions.
- **Rural Self Employment Training Institutes (RSETIs):** RSETIs are established in each district of the country in collaboration with the banks and the state governments to provide short-term residential training with long handholding support to the youth.

Challenges before the mission

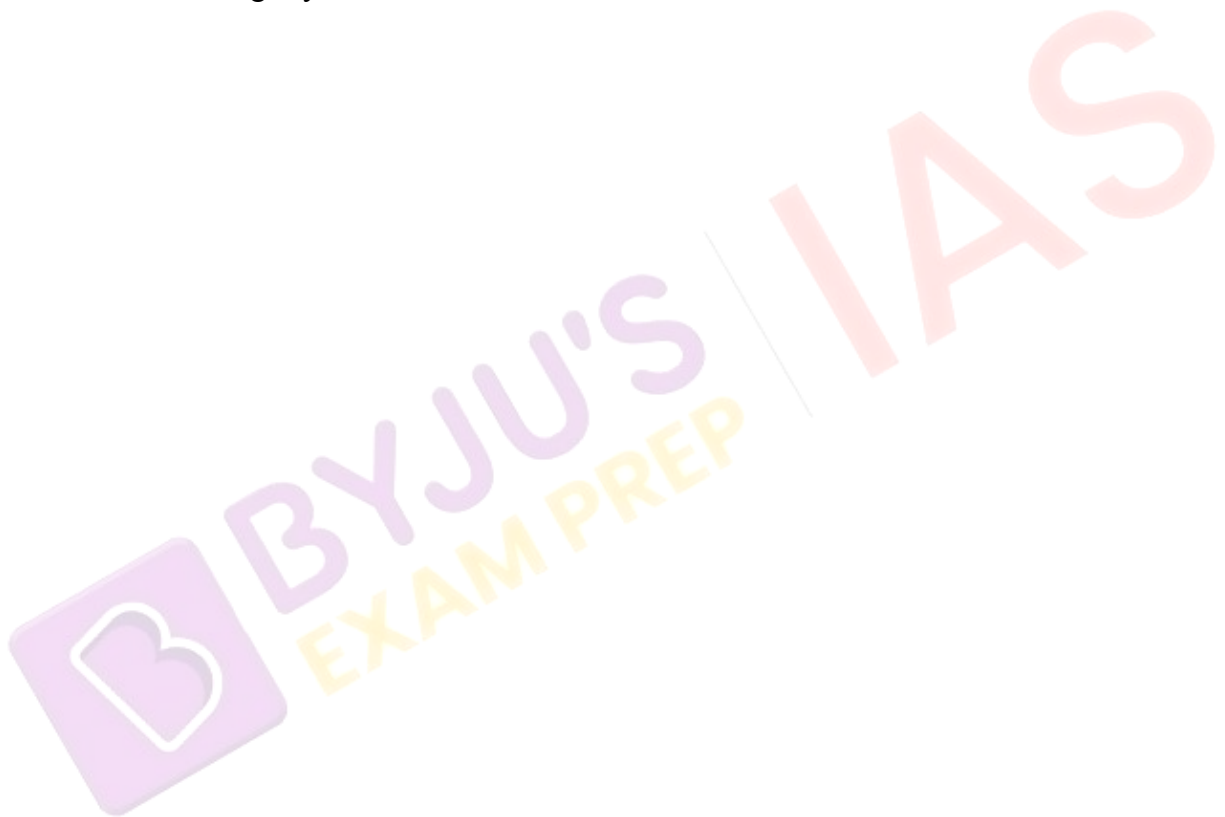
- DAY-NRLM operates in the mode of “for the poor, of the poor and by the poor” which requires a lot of trained human resources, especially women. However, at present, there is a shortage of human resources and a large number of vacancies.
- Delays in the disbursement of funds from the State Treasury to the SRLM accounts adversely affect various activities of the mission.
- The frequent transfer of the SRLM Directors also adversely affects the progress of the Mission.
- RSETI are also not considered as other important stakeholders of the mission.

Evaluation and Assessment of the Mission

- In the treatment areas (where the mission is implemented) on average, each household in a

Mission village had over 2.34 productive livestock assets compared to a similar household in control areas (non-Mission areas).

- Treatment areas have a higher loan size of about 67 percent more than the loan size in the control areas.
- Higher awareness about improving agricultural practices in the treated area as compared to a control area.
- A higher proportion of households receiving training, better cropping practice in multiple seasons in the treated area than in the control area.
- Increase in income by over 19% in some states.
- A decline in the share of informal loans by 20% in a few states.
- Increase in savings by 28% in some states.



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