

## RURAL INDUSTRIAL DEVELOPMENT IN JHARKHAND

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Received: July 26, 2018

Accepted: October 07, 2018

### **ABSTRACT**

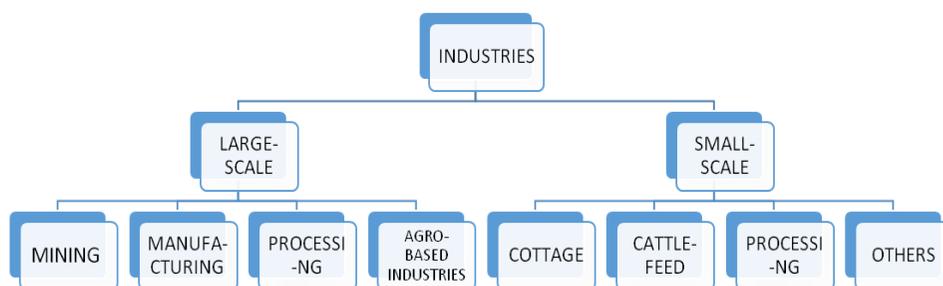
*Economic reforms in the year 1991 was the first concrete step taken by government of India to boost industrialisation of the economy. This step definitely resulted in growth of industries but rural economy called for additional government efforts to reduce the dominance of agriculture. Jharkhand is a state with huge deposits of natural resources. It has the potential of becoming industrial hub. Central government and government of Jharkhand has introduced many schemes and programs to ensure sustainability of MSMEs. Financial institutions are also playing their role in meeting the financial needs of MSMEs. As a result of these efforts, industrialisation of rural economy has initiated gradually. However, it has not reached the stage of maturation yet.*

**Keywords:** Industrialisation, rural, development, financial, lending, sector

### **Introduction:**

Industrial development is one of the key focus areas of government of India. It is the fundamental condition for the balanced growth of the economy. On the eve of independence, both, primary and secondary sector of the economy were suffering from backwardness. To overcome this situation, five-year plan was introduced in the year 1951. First five-year plan was centred around primary sector but from second five-year plan onwards, industrial sector was key focus area. But growth of industrial sector during seven five year plans was not at par with the expected rate of growth. This was due to the unnecessary restrictions on the trading activities and poor performance of public sector enterprises. Thus, economic reforms took place in the year 1991, popularly known as liberalisation, privatisation and globalisation of the economy. This was the concrete step taken by government of India, which resulted in tremendous growth of industries in the economy. Total share of secondary sector in the GDP was 16.6%, which increased to 31.8% in the year 2014-15. The contribution of secondary sector is continuously increasing in each financial year. India has achieved industrial prosperity after economic reforms. However, rural industries of the country are suffering from many obstacles like lack of capital, lack of resources, poor technology, weak distribution network etc. thus, government interference has become necessary for the development of rural industries.

### **Classification of Industries:**



Industries can be broadly classified in two categories, large-scale and small-scale industries. Basis for this classification can be capital investment, number of workers, volume of turnover, profits etc. Small-scale industries board in the year 1955 defined a small-scale industry as a unit where less than 50 persons are employed, if power is used and less than 100 persons, if power is not used. At present, small scale industries are defined as a manufacturing unit in which investment in fixed assets do not exceed rupees one crore.

**Rural industries in Jharkhand:**

Jharkhand is one stop destination for establishment of industries due to availability of huge volume of natural resources. There are many large scale industries in the state like, TATA group industries, Associated cement companies, Steel authority of India limited, Bharat coking coal limited etc. These industries have played a significant role in urbanization of the state. But rural economy consists of small scale industries. The kind of SSIs found in rural economy of Jharkhand are:

- Cottage Industries: cottage industries are labour-intensive production units where production is carried on dwelling place instead of factories. The labourers in such industries are mostly household members, friends and relatives. Investment in capital, volume of production and turnover are very low compared to industries in urban sectors. In Jharkhand, cottage industries are engaged in production and distribution of Papad, potato chips, carry bags of paper, crafts and home décor, silk and cotton products, candle and incense sticks, spices etc. These industries are spread across the state but Ranchi, Dhanbad, Jamshedpur, Bokaro, Hazaribag and Giridih are some districts with large number of such industries.
- Processing Industries: Small-scale processing industries are playing a significant role in growth of rural economy. Tomato sauce, tobacco products, wood products, plastic goods, paper and stationery are some common processing industries in the state. These industries are mostly labour-intensive and provide employment to people.
- Cattle-feed Industries: it is one of the most ambitious industries of rural economy. It consists of cattle and poultry feed manufacturers. These industries have huge potential of growth in rural regions due to large-scale availability of livestock. These industries are centred around few districts of the state like Ranchi, Dhanbad, Gomoh and Hazaribag.
- Mining Industries: mining is a major industry in Jharkhand due to availability of raw materials reserve like Coal, copper, Aluminium, iron ore, limestone, mica. Graphite etc. The west singhbhum district of the state contributes 29% of total iron ore deposits of India. The state holds first position coal resources. The entire mining industrial area of the state is divided in four zones;
  - i) Adityapur Industrial Area Development Authority, Jamshedpur: this zone covers east singhbhum, west singhbhum, and saraikeela districts. The industries established in this zone are associated with cement, copper and steel.
  - ii) Bokaro Industrial Area Development Authority, Bokaro: bokaro, ramgarh, hazaribag, giridih and chatra districts are under the jurisdiction of this zone. This zone is suitable for cement, steel and glass industries.
  - iii) Ranchi Industrial Area Development Authority, Ranchi: ranchi, simdega, khunti, palamu and gumla districts are under this zone. This zone consists of aluminium, steel and cement industries.
  - iv) Santhalpargana Industrial Area Development Authority, Dumka: dumka, godda, sahibganj, pakur and jamtara districts come in this zone. Ceramic, road material, steel are common industries of this zone.

Mining industries are providing employment to a large number of rural people. Thus, mining industries are backbone of industrial development of the state.

**Government Initiatives for Industrial Development:**

Government of India has taken a number of steps for the development of small and cottage industries. A glimpse of these initiatives have been presented below:

- Micro, small and medium enterprise (MSME): micro, small and medium enterprises development act came into existence in the year 2006 with core objective of developing the small-scale industries. On 9<sup>th</sup> may 2007, ministry of small industries and ministry of agro and rural industries were merged to give birth the ministry of micro, small and medium enterprises. The ministry formulates policies, schemes, programmes and projects for developing MSMEs. At present various schemes are running under the flagship of Ministry of MSME like credit guarantee trust fund for micro and small enterprises, interest subsidy eligibility certificates, market promotion and development schemes, coir vikasyojna, skill upgradation and mahila coir yojna, scheme for promoting innovation, rural industry and entrepreneurship (ASPIRE), marketing support/ Assistance to MSMEs etc. Thus, establishment of Ministry of MSMEs is one of the concrete steps taken by government of India for promotion of rural industrialisation.
- Small Industrial Development Bank of India (SIDBI): small industrial bank of India was established on 2 April 1990 to meet the financial needs of small and medium enterprises. SIDBI is ensuring

sustainable development of small industries by offering wide range of schemes. The bank has launched smile fund with objective of providing Rs.10,000 crore assistance to MSMEs. Till March 31<sup>st</sup> 2018, 2,153 MSMEs had availed Rs.4992 crore loans and advances on concessional terms. The bank has signed agreement with Small finance bank and Suryodaya small finance bank reach under privileged areas of the country. Under start up assistance scheme, 70 start-up have been granted financial assistance of Rs.74 crore as on 31<sup>st</sup> March 2018. Under World Bank funded MSME growth innovation and inclusive finance project, 1061 MSMEs were provided term loans of Rs.1945 crores as on 31<sup>st</sup> March 2018. In addition to above, SIDBI has established many milestones in development of MSMEs.

- MUDRA: Micro units development and refinance agency is a non-banking finance corporation, which provides refinance facility to banks and micro finance institutions. It does not provide financial assistance to MSMEs directly but it grants loans and advances to banks and MFIs up to Rs.10, 00,000 for lending to micro units. As per the needs of small units, the funding pattern has been categorised in three stages:
  - i. Sishu: In this stage, assistance up to Rs.50, 000 is granted.
  - ii. Kishor: This is next stage where assistance is provided up to Rs.5 lakh.
  - iii. Tarun: This is final stage where limit of assistance is increased to 10 lakh.

Thus, mudra scheme is a sustainable development scheme of government of India.

- National Small Industries Corporation: NSIC was established in the year 1955 as a funding agency but later, it was turned into a government corporation. It is a Mini-Ratna corporation under the ministry of MSME. The functions of NSIC are;
  - i. Distribution of raw material through raw material depots.
  - ii. Technology upgradation and modernisation of old units.
  - iii. Provide machinery on hire purchase and leasing to small-scale institutions.
  - iv. Assist in marketing of exports of small-scale institutions.
  - v. Credit rating of small-scale units.
  - vi. Ensure participation of SSIs in international trade exhibitions and technology fairs.
  - vii. Single point registration of SSIs.

Sl. No.	Agency	No. of A/Cs	Disbursement	Of which a/c pertaining to SF/MF	%share to total no. of A/Cs	Of which credit disbursed to SF/MF	%share to total credit disbursed
1	Commercial bank	379.04	5,09,004.96	234.52	61.87	2,01,296.26	39.55
2	Co-operative bank	321.37	1,19,963.79	206.05	64.12	69,352.24	57.81
3	RRBs	99.27	82,652.72	66.62	67.11	51,358.81	62.14
	Total	799.68	7,11,621.47	507.19	63.42	3,22,007.31	45.25

- Regional Rural Banks: RRBs accept deposits from semi-urban/rural areas and provide financial assistance mostly to farmers, rural artisans, agricultural labourers and other segments of the rural economy. The central government, concerned state government and a sponsored bank in 50%, 15% and 35% respectively contribute the total share capital of RRBs. Prathama bank is the first regional rural bank sponsored by Syndicate bank, established on 2<sup>nd</sup> October 1975 with its head office at Moradabad district of Utter Pradesh. During the year 2013-14 bank has provided Rs.51538.8 crores to small and marginal farmers and other segments of rural economy including small industries. The following table shows a comparative performance of different financial institutions during the year 2013-14.

Regional rural banks provided a total loan of 82,652.72 crores in the financial year 2013-14, out of which 51,358.81 were provided to small and marginal farmers. Thus, 62.14% of total loans were granted to SF/MF. This figure is highest compared to 39.55% of commercial banks and 57.81% of co-operative banks.

- Commercial Banks: commercial banks has largest financial network in the economy. These banks provide banking services to public in order to gain profit. These banks mostly provide their services in urban sectors of the economy. However, under the priority sector lending initiative of reserve bank of India, it has been made mandatory for commercial banks to lend 40% of their total loans and advances in notified under-developed sectors of the economy out of which 7.5% must be

granted to MSMEs. Thus, commercial banks are playing key role in rural industrialisation by meeting their financial needs.

#### **Rural Industrialisation Initiatives by Government of Jharkhand:**

- Government of Jharkhand has launched procurement policy 2014 to formulate effective marketing policies for distribution of MSME products.
- Permanent exhibition cum convention centre is proposed for display of MSME products.
- Price preference for goods produced by MSMEs if purchased by government bodies.
- A quasi-judicial body, Jharkhand Micro and Small Enterprises Facilitation council has been set up for quick redressal of problems faced by MSMEs.
- MSMEs engaged in generating raw material will be given preference in purchase by government bodies.
- MSME projects will be provided with a common facility centre through public private partnership model.
- All registered MSMEs will be encouraged to participate in national and international trade fairs and delegations.
- In case of establishment of new units, transfer fees will be charged at the rate of 15% of present value of land instead of 25%.
- In case of surrender of industrial plots within one year of allotment, no penalty will be charged. If plot is surrendered after one year, penalty of 2% will be charged from MSME instead of 5%.
- 60% of net VAT/GST paid per year will be reimbursed up to maximum of 100% of fixed capital investment.
- State government will provide 10% of project cost if DPR of the project is approved by ministry of MSME.
- New MSMEs shall be eligible for subsidy of interest at the rate of 5% for loans and advances taken from government banks. Maximum limit of subsidy will be Rs.10 lakh for micro enterprises, Rs.20 lakh for small enterprises and Rs.40 lakh for medium enterprises.

#### **Performance of financial institutions:**

Loans provided by commercial banks, development banks, regional rural banks and co-operative banks to MSMEs in last two financial years have been presented below.

Public sector Commercial banks:

Banks	Loans provided to MSMEs	
	As on 31 <sup>st</sup> March 2018 (in lakh)	As on 31 <sup>st</sup> March 2017 (in lakh)
State bank of India	762166	654751.6
Bank of India	358420.4	319777.6
Allahabad bank	161017.3	156590.4
Central bank of India	32000.52	29992.9
Punjab national bank	123035.3	114881.1
United Bank Of India	54735.34	50410
Canara Bank	118100	169302
Union Bank Of India	81772.24	70814.3
UCO Bank	28213.81	3598.5
Bank Of Baroda	90546.6	93003
Indian Overseas Bank	25531	28394
Syndicate Bank	19110.86	16943
Oriental Bank Of Commerce	30312.34	33073.64
Dena Bank	5035.31	6754.5

Indian Bank	9874.19	11067
Vijaya Bank	10566.26	8125
Andhra Bank	6958.57	2850.29
Corporation Bank	14386.56	16552.6
BhartiyaMahila Bank	-	95.77

Source: State level bankers committee, Jharkhand.

Non-government banks:

Banks	Loans provided to MSMEs	
	As on 31 <sup>st</sup> March 2018 (in lakh)	As on 31 <sup>st</sup> March 2017 (in lakh)
HDFC Bank	72154	73809.91
ICICI Bank	34881.77	21685
AXIS Bank	99337	73402.42
Indus Ind Bank	62630.61	57946
YES Bank	1651	1135.24
Kotak Mahindra Bank	13949.92	3455
Bandhan Bank	30369.06	19357.16

Source: State level bankers committee, Jharkhand.

Development banks:

Banks	Loans provided to MSMEs	
	As on 31 <sup>st</sup> March 2018(in lakh)	As on 31 <sup>st</sup> March 2017(in lakh)
IDBI Bank	48159.63	43930.80

Source: State level bankers committee, Jharkhand.

Regional rural banks and cooperative banks:

Banks	Loans provided to MSMEs	
	As on 31 <sup>st</sup> March 2018(in lakh)	As on 31 <sup>st</sup> March 2017(in lakh)
Jharkhand Gramin Bank	24676.04	44450
VananchalGramin Bank	31927	38428
Cooperative Bank	25	0

Source: State level bankers committee, Jharkhand.

### **Conclusions and Recommendations:**

Jharkhand is the state where rural regions dominate. According to census 2011, more than 75% of the population of the state resides in rural regions. Rural industrialisation will provide employment opportunities to rural people and at the same time will promote urbanisation of these regions. Government of Jharkhand has launched many schemes and has taken numerous initiatives for rapid growth of industries in underdeveloped regions but rural industrialisation has not reached the stage of maturation yet. Commercial banks and development banks in the state are also playing significant role in accelerating the growth of industries. There are increasing trends in lending to MSMEs by these banks. Private sector banks are performing remarkable job by continuously increasing their lending to MSMEs even after high risk of NPA. One of the most ambitious initiatives of government of India, Regional rural banks are not performing as per expectations. This is evident by declining trends in lending to MSMEs. There are 2.61 crore MSMEs in India out of which only 3.76 lakh are in Jharkhand. Thus, the state hosts only 1.44% of total MSMEs. In terms of employment, 6 crore people are engaged in MSMEs at country level. In Jharkhand, only 18 lakh people are employed in MSME sector. Thus, Jharkhand has the potential of becoming industrial hub in near future. The state MSME division has anticipated having 10 lakh small and medium industries by the year 2022. It is

recommended to organise entrepreneurship development programs in various parts of the state. Regional rural banks must review their lending terms, procedure and repayment policies. Additional implementation agencies should be appointed to ensure rapid participation of people in rural industrialisation.

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