
Rural Industrial Units of Marathwada Region: An Overview

* Mr. Ankush B. Jadhav

Introduction

Marathwada is one of the backward regions of Maharashtra and have a predominantly agrarian economy. It comprises of eight districts viz. Aurangabad, Jalna, Parbhani, Nanded, Beed, Osmanabad, Latur and Hingoli. The geographical area of Marathwada comprises 19.75% of the area of Maharashtra State. Majority of its population is engaged in agricultural activities and there is little industrialization in the area. The existing industries are agriculture based. Majority of its population lives in rural areas. The literacy rate of Marathwada is 54.57% as compared to 64.87% of Maharashtra.

The Government objective of achieving balanced regional development, encouraging new and prospective entrepreneurs, optimum utilization of scarce resources, making use of highly sophisticated technology and exploiting/improving local skills etc., have been kept in mind while preparing this report. The potentials of industries based on the resources locally available in the area and demand based industries (both institutional and consumer demand) have been considered, along with the scope for setting up ancillaries to the existing large scale units. The role of Government Department Agencies engaged in industrial promotion and economic development etc. has been analyzed and also the industrial and economic policies of the government have been considered.

Lack of capital, excessive dependence of agriculture and abundant supply of manpower are the characteristic features of many developing countries in Asia. Happily these economies have been realizing that agriculture is which cannot meet their local requirements and therefore, that the pressure on land could be substantially reduced through the development of small scale industries. Small scale is the most suitable type of the developing countries. The role of industries is also one of the characteristics and has different types of units functioning in the fold of an economy. Therefore, the present study through some light on their problems.

PROFILE OF MARATHWADA REGION

Geographical Location:

Aurangabad Division

- Aurangabad, Jalna, Beed, Osmanabad

Nanded Division

- Nanded, Latur, Parbhani, Hingoli

Among 8 districts, Aurangabad, Nanded, Latur, Parbhani have Municipal Corporations

Importance of Rural Industrialization:-

Rural Industrialization is important for creating employment opportunities, raising rural incomes and strengthening agriculture-industry linkages. Thus far, it has been pursued by a multiplicity of government agencies. However, the impact of these programs at the grass roots level has remained modest. We must integrate the efforts of the various government agencies and ensure active community participation. However it is necessary to set up at least 100 rural clusters every year to give a boost to rural industrialization. This is being done for the benefit of rural artisans and unemployed youth. In the long run, it will definitely reduce rural urban disparities. The Small Industry Development Organization will coordinate this program. The Khadi and Village Industries Commission (KCIC) will play an important role in this. The marketing infrastructure available with KVIC would be put to optimum use in this effort. It will go a long way in the marketing of rural industrial products if KVIC could develop its own brand name for the purpose. The Proposed rural clusters will be spread through the country, with a reasonable balance between high potential and backward rural areas.

Objectives of Study

1. To examine the characteristics of current rural industries in terms of regional distribution, production type and firm size.
 2. To study the organization and management of selected Rural Industrial Units in Marathwada.
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*Assistant Professor, Dept. of Commerce Yashwantrao Chavan Mahavidyalaya, Sillod. Maharashtra India

3. to highlight on Future policy directions to further promote rural industrialization and to improve off-farm employment opportunities for farm households.
4. To study the economic, social, educational and occupational background of the rural entrepreneurs.
5. To evaluate existing policies, programs, institutional networks and the involvement of governmental and non-governmental agencies in promoting rural industrialization.
6. To make suggestion for improvement in performance of Rural Industrial units in Marathwada region.

REGION-WISE DETAILS OF MSMEs and LARGE ENTERPRISES AS ON 31.12.2011 (In Nos.)				
Region	MSME	Employment in lakhs	Large Enterprises	Employment in lakhs
Mumbai	15565	2.47	311	0.47
Konkan (Excl.Mumbai)	25625	3.91	1222	2.45
Nashik	19911	2.50	665	1.52
Pune	68080	7.86	1490	4.07
Aurangabad	11174	1.36	538	1.11
Amravati	7710	0.89	148	0.32
Nagpur	15501	1.97	541	1.31
Maharashtra	163566	20.97	4915	11.25

Source: Directorate of Industries GOM.

Occupational Structure:

Region	Small, Medium Industries	Large Industries	Per Capita Income	Special Economic Zone	FDI-Foreign Direct Investment
Marathwada	07	11	60,013	10	02
Vidarbha	13	14	65,502	10	08
Western Maharashtra	80	75	1,05,488	96	90

(Source: MSME website)

- Annual Report 2011-12 shows some of striking findings of regional imbalance in Maharashtra.
- Of total 'Micro, Small, Medium Enterprises' in Maharashtra, Marathwada has only 7% of enterprises while Vidarbha has 13%, Rest of Maharashtra has 80% of total enterprises.
- Of total 'Large Industries', Marathwada has 11%, Vidarbha 14% while Rest of Maharashtra has 75%.
- Per Capita Income of Marathwada is Rs.60013, Vidarbha Rs.65502, and Rest of Maharashtra Rs.105488.
- Of total 116 Special Economic Zones of Maharashtra, Marathwada has 10, Vidarbha 10 and Rest of Maharashtra 96.
- Of total Foreign Direct Investment in Maharashtra, only 2% is in Marathwada while Vidarbha has 8% and Rest of Maharashtra has 90%.

Above figures shows that development of Maharashtra is concentrated in Western region that is Rest of Maharashtra while Marathwada region is least developed region in Maharashtra. Report also says that whatever development happened in Marathwada is concentrated around Aurangabad.

Latest as per the news paper Times of India, 223 farmers from Marathwada region committed suicide in first three months of 2015 because of debt, drought and unseasonal rain. According to government records, 422 farmers in Marathwada committed suicide in 2014. This was because of their inability to bear crop losses and a financial quandary made acute by water scarcity and an agrarian crisis 2014 was the third consecutive year of low rainfall, and when rainfall did occur it was

sometimes untimely and damaged crops. Of the 422 suicides, 252 cases were due to an inability to repay agricultural loans.

Concept development of Rural Small Scale Industries

The concept of 'small scale industry' is not only new to India but also practicing in the age old traditional systems in the ancient period. The definition of small scale industries are changing its central idea and have been shaped in the planning period. Since then it was maintained till the year 2006. These units have been merged with "Micro, small and Medium Enterprises" (MSME). The act clearly divided into two categories of industries; one is enterprises engaged in the manufacturing of production of goods pertaining to any industry, also another is, in the case of enterprises engaged in providing or rendering of services. The MSMEs of manufacturing enterprises have been classified into micro, small and medium enterprises based on the amount of investment in plant and machinery as follows:

The MSMEs of service enterprises have been classified into micro, small and medium enterprises based on the amount of investment in equipments as follows:

Problems of SSI

Despite of recommendable contribution to the nation's economy, the SSI sector does not get the required support from the concerned Government Departments, Banks, Financial Institutions and Corporate, which become a handicap for more competitive in the National and International Markets. Small-scale industries in India could not progress satisfactorily due to various problems that they are confronted with while running enterprises. In spite of having huge potentialities, the major problems, small industries face are given below.

- **Problem of skilled manpower:** The success of a small enterprise revolves around the entrepreneur and its employees, provided the employees are skilled and efficient. Because inefficient human factor and unskilled manpower create innumerable problems for the survival of small industries. Non-availability of adequate skilled manpower in the rural sector poses problem to small-scale industries.
- **Inadequate credit assistance:** Inadequate and timely supply of credit facilities is an important problem faced by small-scale industries. This is partly due to scarcity of capital and partly due to weak creditworthiness of the small units in the country. Lack of finance is the main obstacle for the development of small-scale industries. The financial problem of small industries is a part of the wider problem of capital scarcity in the economy as a whole and it is partly due to the peculiarity of small industry organization. The creditworthiness of small borrowers is generally weak and therefore they face reluctant creditors who may be induced to lend only at a very high rate of interest.
- **Irregular supply of raw material:** Small units face severe problems in procuring the raw materials whether they use locally available raw materials or imported raw materials. The problems arise due to faulty and irregular supply of raw materials. Non-availability of sufficient quantity of raw materials, sometimes poor quality of raw materials, and increased cost of raw materials, foreign exchange crisis and above all lack of knowledge of entrepreneurs regarding government policy are other few hindrances for small-scale sector.
- **Absence of organized marketing:** One major problem of small-scale industries is marketing. These units often do not possess any marketing organization and consequently their products compare unfavorably with the quality of the products of large-scale industries. Therefore they suffer from a competitive disadvantage vis-a-vis large-scale units. In the absence of organized marketing, their products compare unfavorably with the quality of the product of large-scale units. They also fail to get adequate information about consumer's choice, taste and preferences of the type of product. The above problems do not allow them to stay in the market.
- **Lack of machinery and equipment:** Small-scale units are striving hard to employ modern machineries and equipment in their process of production in order to compete with large industries. Most of the small units employ outdated and traditional technology and equipment. Lack of appropriate technology and equipment create a major stumbling block for the growth of small-scale industries.

- **Absence of adequate infrastructure:** Indian economy is characterized by inadequate infrastructure which is a major problem for small units to grow. Most of the small units and industrial estates found in towns and cities are having one or more problems like lack of power supply, water and drainage problem, poor roads, raw materials and marketing problem. Thus absence of adequate infrastructure adversely affects the quality, quantity and production schedule of the enterprises which ultimately results in under-utilization of capacity.
- **Competition from large-scale units and imported articles:** Small-scale units find it very difficult to compete with the product of large-scale units and imported articles which are comparatively very cheap and of better quality than small unit's product.
- **Other problems:** Besides the above problems, small-scale units have been of constrained by a number of other problems also. They include poor project planning, managerial inadequacies, old and orthodox designs, high degree of obsolescence, transportation problems, lack of power, and lack of adequate warehousing, lack of information. Due to all these problems the development of small-scale industries could not reach a prestigious stage.

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