

**EVALUATION STUDY OF RURAL INDUSTRIES  
PROJECTS - 1978**

**1. The Study**

The Government of India, during 1962-65, launched 49 Rural Industries Projects (RIPs) in Semi-urban areas with the hope of developing them into clusters of industrial activity or 'growth centres'. The Fourth Plan Document, after observing the progress made by the Projects, suggested the winding up of those projects in which the progress had not been encouraging. The High-level Committee in 1970, however, recommended that all the projects might be allowed to continue and that an assessment of their progress could be made by the Programme Evaluation Organisation of the Planning Commission. Accordingly, the Programme Evaluation Organisation launched a study in 1974, the report of which was brought out in 1978.

**2. Objectives**

- i) To see as to how the programme was planned and administered.
- ii) To assess the adequacy and effectiveness of the various components of the programme in the realisation of its broad objectives.
- iii) To examine the extent to which the various components of the programme benefited the local people.

**3. Sample Size/Criteria for Selection of Sample**

Out of the total of 49 projects in existence, 26 projects were selected for study in such a way that at least one project was selected from each of the States where the scheme was in operation. The selection of sample was done as under:

i) 7 of the 8 projects already covered under the case study conducted by the Programme Evaluation Organisation in 1966-67 were selected again to have a comparative view

ii) All the 4 projects set up near the large scale industrial projects at Durgapur, Bhilai, Ranchi and Bhadravati were included.

iii) 15 projects were selected from the rest to represent the remaining areas excluding Goa.

Within each selected project, three-stage stratified sampling was applied for the selection of workers. In the first stage, the selection of villages/towns was made by dividing the towns/villages into four strata. From each stratum, two towns/villages were selected at random, with probability proportional to the number of the industrial units in them and without replacement. The selection of industrial units/artisans from the first stage sampling units formed the second stage of sampling. A sample of 30 industrial units and 10 artisans were selected from each stratum. Selection of workers from within the selected units formed the third stage of sampling. Two workers from each selected unit were chosen for canvassing one of the workers with longest service in the selected units and the other worker the most recent entrant, but having at least six months service in the unit.

In all, 2015 industrial units, 975 artisan units and 2867 industrial workers in 26 selected projects were covered under the survey.

#### 4. **Reference Period**

Data were collected and analysed for the period ranging from 1962-63 to 1973-74.

#### 5. **Main Findings**

1. The lackadaisical approach of the State governments to the implementation of the Programme was amply manifested in the frequent changes in project staff, the insufficient direction, monitoring and feedback and the lack of integration of the programme with the activities of other agencies in the field of small and village industries.

2. The insignificant impact of the RIP strategy was evidenced from the virtually non-existent operational contact between units and project authorities, the unproductive nature of promotional expenditure with the possible exception of the loaning programme (which benefited about 19% of the total units), and the desperate reliance of units on other funding institutions like banks and state financial corporations.

3. The average establishment and promotional costs varied from a low of Rs.3000 per job to as high as Rs.10,000 or more per job.

4. As against norms, a significant portion of funds was disbursed in towns with population more than 15,000 (areas specifically excluded from the area of operation of the RIPS). A negligible proportion of the financial assistance disbursed went to rural arisans.

## 6. Major Suggestions

1. Improved functioning of the RIP programme should encompass a stricter line of action which would comprise of, (a) drawing up a list of industries on the basis of an assessment of the specific hallmarks of the rural areas, (b) reconciling the schemes undertaken by the Khadi and Village Industries Commission (KVIC), the State Khadi Boards and other agencies with the industries promoted by the RIPS, (c) channelising the RIP thrust to those fields where unemployment is most severe and to those which are not locally covered by other agencies, (d) developing a comprehensive monitoring system, (e) intensifying the contact between the project authorities and the actual recipients of funds and (f) eliminating market imperfections and ensuring steady supply of raw materials.

2. The question of the area of operation of the projects should be re-examined and firm decisions on the following two major issues should be taken and implemented.

a) Firstly, the exclusion of towns with population of more than 15000 from the area of operation of the RIPS; and

b) Secondly, the coverage of the entire district instead of 3-5 blocks as earlier, under the RIPS.

3. There should be a progressive diminution in the disbursement of direct loans by the RIPS with the spread of areas of rural banks and the promotional role to be played by RIPS could include provision of seed (margin money) loans for units which were sponsored to banks for the provision of credit.