The features and properties of rural industries in Iran and the guidelines to develop them

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ABSTRACT: In past decades, Iranian rural areas were vulnerable in terms of economic basics. It was assumed that by industrial growth of big cities, rural areas would be also developed automatically. Increase in unemployment, poverty and income gaps between urban and rural areas indicate that one cannot hope rural development only through market mechanisms. Rural industries are those industries located in rural areas and mainly use rural manpower. Their market links are limited geographically. In fact, such industries use local raw materials or goods (agriculture, forestry or mines) and their products are usually supplied to local markets. One way to fill the gaps and to increase incomes in rural areas is to expand the activities that are less depended to environment and environmental conditions. In rural areas, agriculture is still traditional and it is highly depended to environmental and climate conditions.

Keywords: rural industries, economy, agriculture

INTRODUCTION

There are paramount definitions on rural industries. UN Economic Commission for Asia and Far East has defined rural industries as below:
“Rural industries are those industries that manufacturing their products needs skills and they are professions conducted totally by family members and they spend their time on such industries partly or totally” (Agricultural Ministry, 1990).
The definition by Iranian Handicrafts Organizations is as below:
“Rural industries are activities rather than farming in rural areas. Such industries are divided into consuming rural industries and handicrafts” (Rahimi, 2004).

According to Rural Industry Committee of Agricultural Jihad, the properties of rural industries include:
The first aim of rural multilateral development is to industrialize the villages incrementally. The priority is with agriculture – related industries. Rural industrialization means:
To supply agricultural and ranch needs and their supplements as possible in terms of the geographical and climate conditions of each region which are not in contrary with agricultural and ranch products.
As possible, being proportionate to villagers’ needs.
Technologically, it should be in a level which can be utilized in villages and helps to grow villagers’ know – how (Naraghi, 1996).

Rural industries in Iran

According to domestic industrial strategy in the third constructional plan based on importation displacement strategy, domestic industries were concentrated and expanded in several regions. Domestic industrial policies were based on “encouraging large-scales” and “selecting the winners of supporting them” (Mardookhi, 1998).
Investment in far and dispense rural areas was not regarded by investors due to high costs of access to consuming markets and inputs, lack of professional manpower and no access to needed infrastructures (Rahimi, 2004).
Developing rural industries aimed at rural development

In most developing countries, rural industries are expanded and developed with the aim of rural development and local sustainability. Mitigating poverty, increasing household income and preventing migration to urban areas are critical policies in rural development. When rural development is the main aim of developing rural industries, a priority in the programs of rural industries would be to utilize local manpower, small – scale industries, establishing infrastructural facilities, using local resources and respecting non farming industries in rural areas.

Since one way to foster rural economy is to diversify rural activities, it is too necessary to expand rural industries particularly non farming ones in order to increase new grounds to acquire income and job generation.

India is a developing country that enjoys rural industries for rural development aims. By 449.6 million workforces, the most important developmental priorities of India are job creation and poverty mitigation. In India, rural industries are referred to disorganized industries often run by families and workshops with low capitals. The values of the products by such industries are only 0.8% to small industries. Because of creating 444,000 jobs in 1998, these industries were paid attention by Indian planners and the government provided aids such as training plans and banking facilities to enhance their productivity. In India, service and non-farming industries are categorized under rural industries.

Developing rural industries by the aim of developing agricultural sector

Developing agricultural sector is another aim of rural industries development. Agricultural sector and rural industries have mutual impacts on each other. Located industries in rural areas produce agricultural inputs and equipment and develop this sector and mitigate the wastes. Products consumption in manufacturing and processing increase demands in agricultural sector and the income of rural families. Increase in families’ incomes would enhance savings in agricultural sector and reproduce the capital for agricultural development. Agriculture without industry cannot be considered as a solution for poor people’s problems in rural areas and industry is
necessary for occupation of manpower. Occupation of rural population in non-farming activities can help the process of industrialization of agriculture and rural areas (Jazayeri et al., 1999).

By accepting the priority of agricultural development, requirements were emerged in policymaking and implications of rural industries as well as logistic industries in agriculture sector including agricultural tools and equipment and the industries to produce chemical fertilizers and pesticides as the main implication of rural industries and less attention is paid to non-farming and service industries.

In the countries where agricultural food processing industries in rural areas are managed independently, whenever rural industries development is a priority, these industries act as logistic industries of agriculture sector to produce tools, equipment and inputs like pesticides and fertilizers.

Expanding rural industries with the aim of industrial development

In industrial development macro program, rural industries have a special position. In these programs, rural industries development would yield to industrial development and improvement of industrial performance. The most important reasons for adopting such policy are environmental aspects, cheap manpower in rural areas and using the capital of rural areas to develop the industry. In this approach, the products by rural industries are supplied to national and international markets in addition to local ones. Subcontracts and orders are common between factories and industries located in rural areas. Hence, in addition to transfer technology, the problem of marketing and selling such products will be also resolved.

The experiences by some developing countries indicate that agriculture sector development can play a vital role in industrialization of villages. Since agriculture sector is able to generate jobs for many people, it has a remarkable impact on increasing villagers’ incomes. Increase in income would enhance demand for industrial products and along with the diversity of agricultural activities; it would propagate functional rural industries in rural areas which would pave the ground for more employment. When agriculture develops, it can supply a part of needed raw materials by industry. In fact, agriculture sector development leads into income redistribution toward rural areas. Therefore, industrialization of villages can increase villagers’ incomes by reallocating the resources to rural areas. In this industrialization process, villages can play a vital role in developing agricultural sector. By rapid increases in income through industrialization, demands for agricultural products especially food products will be increased.

The relationship between agriculture and rural industries is clarified in three segments

Production

production is depended to the mutual relationship between agriculture and industry to supply production inputs (for instance, supplying agricultural raw materials like cotton for textile and/or chemical fertilizers and agricultural machines for agriculture sector) explains about one third of industry’s added – value in many countries. This figure is 40% in India, 36% in Turkey, 38% in Malaysia, 43% in South Korea and 17% in Iran. The rate of employment in such industries is 67% in Japan, 82% in India, 58% in South Korea and 19% in Iran (Taherkhani, 1998).

Demand

the impact of urban incomes and industrialization process on demand for foods and agricultural raw material is highly increased. Some products like clothes, socks, sugar, nutritive oils are consumed in rural areas more than urban ones. The relationship between agricultural and industrial products plays a vital role in agricultural incomes to increase demand for industrial goods. In the case that trading exchanges are beneficial for agriculture, those people who buy further agricultural products would sell agricultural goods in new circumstances due to the profits of selling such products. In such condition, tendency toward agricultural sector especially food stuffs will be compensated by increase in the income from increase in the prices of agricultural goods.

Savings and investment: the impact by agricultural sector on saving is not limited to personal savings; rather, governmental savings can also impact on agricultural incomes and the establishment of an exchange association in agricultural section. Investments by private sector can impact on both agricultural and industrial products. The impact of such relationship on families’ savings can be seen through increase in demand for consuming industrial goods. Specialization of agriculture and its related industries can highly help such process. The relationship between agricultural development and industrialization of villages will be performed in different steps: the first step is the relations between a modern agricultural - industrial sector and rural industries as a medium stage (Taherkhani, 1998). In the next step, modern rural areas act cohesively so that many needed inputs and machines by agricultural sector and a part of raw materials with agricultural origination used in food, textile, leather and cellulose industries will be supplied domestically. In a process integrated with rational links between
industry and agriculture sectors, agricultural growth should lead into the creation and development of food, beverage, cigar, textile, wood, paper and leather industries.

The important point is the real role of industry and agriculture as two complements and catalysts of development. For instance, textile industry requires the produced cotton in agriculture or produced wool in ranch. The growth of food industries is remarkably a function of agricultural products and/or wood, paper and leather industries as the stimulators of other industries. All activities are depended to agriculture. On the other hand, agricultural sector requires widespread tools and inputs which should be supplied by industry. Lack of smooth growth by agricultural and industrial sector would necessarily cause dependence to importation and difficulties in achieving economic development goals. Obviously, the aims of agricultural development related to industry should supplement agricultural development chain in rural areas. Location of rural industries can supplement the production flow of agricultural products toward providing services before and during production and satisfy the requirements of agricultural sector (Taherkhani, 1998). Job creation is a strategic aim of industrializing rural areas. Besides, raising the income of rural lower earning groups, regional balances, decrease in rural emigration, changing the consumption pattern of foods and consuming goods, housing, healthcare for children and saving can be, inter alia, the most important factors in locating industries in rural areas.

One should note that the role of below factors should be considered in achieving optimized villages’ industrialization pattern.

High resilience: many rural investments should be highly flexible because that facility in changing production line based on market requirements is necessary. Industries should change their production lines in accordance with market demand(s).

Low cost investment: one trait of rural industries should be its lower cost investment than other economic segments. In fact, the cost of creating one job in rural industries should be lower than other sectors. Supporting the expansion of rural industrial units with private ownership and decreasing government intervention: investments by private ownership would increase the motivation of operation directly and would establish a plausible link between wages and productivity.

Establishing rational relations between rural industries, modern industries and agricultural sector: concerning capital limitation in rural areas as well as limited access to market and the necessity of respecting production standards, it is necessary to link rural industries to great ones so that they can enjoy their financial, technical and marketing supports.

Functional technologies aimed at job creation in nonagricultural sector: creating occupation grounds in rural areas is one of the aims of expanding industries in such regions. On the other hand, capital limitation in rural areas would prevent the expansion of those industries which need huge investments. Therefore, it is necessary to utiliz functional technologies in the first steps of industrial expansion and development in rural areas. In this case, one can use the relative advantages of rural areas such as cheap workforce.

Devising and pursuing vocational training courses to train manpower: low literacy and skill levels in rural areas in one hand and the requirement by rural industries to well – trained forces on the other hand has made it necessary to train needed technical forces in rural areas. Such courses should be in line with expanding industries in rural areas. Therefore, it is radically necessary to coordinate vocational centers and their industrial branches and regional capacities.

Taking proper initiatives to place industries in rural areas: selecting the location of rural industries should consider local communication networks and cross-national manufacturing systems in addition to access to raw materials, manpower, necessary infrastructures, and market and so on. Therefore, agricultural products (ranching and farming), gardening and veterinary, breeding animals, rural trading, irritating, land management and protection are, inter alia, other activities covered by rural industry.

A new approach by Australia to agriculture is to generate more added – value through international market demands by which new products with proper prices are selected and the seeds of such crops are adapted to different climate and environmental conditions of Australia in its research institutes. Then, reformed seeds are used as new industries in talented regions. Among new rural industries in Australia, one can point to green tea in Victoria, colored fish in New Salt, bushed foods in south Australia, tea oil in New Salt and olive in south Australia. It seems that determining the implications of rural industries depends on economic development level, industrial policies and rural development plans in each country.

**Definition of rural industries in Iran**

Concerning definitions provided so far on rural industries in Iran as well as its definition in other countries, this section provides a definition on rural industries.
Rural industries refer to only a part of located industries in rural areas. Such industries can be categorized in different aspects. In terms of organization, they can be divided into home business, workshops, distributed factories and factory system.

Although all industries located in rural areas are referred as rural industries, a definition should be provided that covers all diversities. In fact, we want to expand and develop those industries that are depended to distributed factory and factory system. These are the industries to which permissions were issued by the Rural Industry Department at Iranian Jihad Ministry in 1987.

In terms of products, due to the existence of an official incumbent for carpet and Gelim industries, they are excluded from rural industries. Converting industries which can be called as food agricultural processing industries can be excluded from rural industries due to their importance in agriculture section and their management and policymaking can be assigned to Food Industry Directorate. Therefore, it seems that factory (non-farming) and procurement (supplementary) industries can be categorized under rural industries.

**Definition of small industries in Iran**

Overall, a set of quantitative measures such as the quantity of workers, capital volume and the production volume as well as qualitative measures like local workers and/or the system of running the firms are used to define small industries. In countries whose priority is job creation, capital measure is usually used because that when the condition for using incentives and facilities to establish small-scale industries is the quantity of workers, manufacturing firms are persuaded to use more capital. Using more capital would lead into less demand for workforce. To the same reason, capital is usually considered as a limiting factor to increase employments.

According to the domestic rural industries status quo, the maximum investment in one manufacturing unit was 42,990 million Rials (a flour factory) in 2001. It can be also used with inflation mitigation in next years. Therefore, one can call industries whose maximum capital including equipment is 42,990 million Rials as small – scale industries.

**The rural industrial zones**

Executive background in Iranian rural industrial zones backs to 1980s. Overall, planning on constructing rural industrial zones started in 1988. To 1990 namely the beginning of the first development program, 16 rural industrial zones were established. During the 1st development program, it was accelerated and total rural industrial increased to 103 and to 154 in 1996 (Plan and Budget Organization, 2000).

Among the most important preliminarily needs to establish rural industrial zones, one can point out land, water, power, landscaping, street building and accessible roads. An important problem is financing such plans. Therefore, it is necessary to conduct orientations through governmental systems in terms of facilities and some exemptions to establish industries in such zones (Motilangrudi, 2003).

**Advantages and disadvantages of establishing rural industrial zones**

**Advantages**

The most important advantages of establishing rural industrial zones in Iran include: creating permanent and productive employment in villages; increasing villagers’ income; decreasing emigrating to cities; preventing destruction of ideal agricultural lands; mitigating necessary infrastructural costs to establish such industries as water, power, roads; preparing lands and necessary infrastructures to create and expand industrial operations; communicational links between outputs and inputs of developmental units; promoting the level of vocational training; accessibility to needed manpower in different professions; enjoying technical and commercial training; preventing environmental problems (Plan and Budget Organization, 2000).

**Disadvantages**

The most important disadvantages of establishing rural industrial zones in Iran include: lack of constructional funds and banking facilities allocated to establish rural industrial units; lack of cooperation by some executive organs in supplying infrastructural facilities such as water and power; not clear status of rural industries in national and provincial industrial activities; lack of professional and efficient personnel in rural areas; the problems in finding proper lands through National Resources Organization; lack of a regional comprehensive study for placement in rural industrial areas; lack of studies and predictions on future situation of current manufacturing goods market (Plan and Budget Organization, 2000).
Recommendations

Regarding advantages/disadvantages in establishing rural industrial zones, one can provide below recommendations as the most important necessary guidelines:

Before any project, necessary studies should be conducted by relevant executive organizations.
Rural Industrial zones should be determined by accurate study of residential pattern and proper activities for such regions.
Needed funds should be financed sufficiently within two years.
Banking system should support the plans in rural industrial zones through proper and on-time banking facilities.
The exemption of workshops in rural industrial zones from paying the costs of using water, power, natural gas and phone
Coordination between industrial towns and rural industrial zones in policymaking and determining type and level of industrial activities in rural areas (Plan and Budget Organization, 2000).

CONCLUSION

One of the main traits of rural industries is to use local equipment and resources while other domestic industries used a lot foreign currencies. Another trait of rural industries is their main share in food and small-scale industries.

Since one way to foster rural economy is to diversify rural activities, expanding rural industries especially non-farming ones is necessary to promote new grounds of income and job generation. Another aim of rural industrial development is to develop agriculture section. The relationship between agriculture and rural industries is elucidated in three segments: production, demand and saving and investment. Job creation is a strategic aim of industrializing rural areas. Furthermore, raising the income of rural lower earning groups, regional balances, decrease in rural emigration, changing the consumption pattern of foods and consuming goods, housing, healthcare for children and saving can be, inter alia, the most important factors in locating industries in rural areas. Important factors in achieving an optimized pattern for industrializing rural area include higher resilience, low cost investments, supporting the expansion of rural industrial units, establishing rational relations among rural industries, modern industries and agriculture section, relevant technologies to generate jobs in nonagricultural section, devising and pursuing vocational courses to train manpower and taking proper initiatives to place industries in rural areas.

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