

Analysis of the Model “One Village One Product” and the Formation of “Clusters of Non-Agricultural Activity” in Rural Areas

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Abstract

Because of agricultural businesses and lower incomes, people in villages usually are poorer than *those* living in *rural areas*. The Poor development of rural area due to poverty compared to urban areas is one of the main issues of economic development nowadays. Therefore, in many countries, the people of rural areas decided to set up industries in the villages to get rid of poverty, so that they could earn high income through non-agricultural employment. Accordingly, each village has acquired the skills required for producing a distinctive product, which can reduce poverty in rural areas.

The aim of the present study is identify the influential factors in formation and establishment of such industries in the villages. For this purpose, a set of villages in Hamadan with non-agricultural activities were selected. A qualitative approach was followed in the present study, which include more than 50 interviews with experts and owners of non-agricultural establishments in rural areas.

The results showed that among the villages that established the “one village- one product” activities, one of the important factors was “market access” of their products. Low cost of living in the new point of production (villages), because of lower cost of rent and labor, was another leading factor for forming the industrial businesses in rural places. Besides, the inheritance of routines from initial firms located in urban areas and knowledge exchange between skilled workers and pool labor are the main factors involved in creating new businesses in new areas. Related activities such as providing materials and devices and repairs have formed clusters.

Along with these developments, some villages have witnessed reverse migration ,therefore people have moved from cities to villages. Investigating these activities revealed that better income prospects, flexibility, less stressful work environment and job stability were the important reasons for continuing these activities.

Keyword: Rural development, employment, Non-agricultural clusters and reverse emigration

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1. Introduction

The aim of this study is to investigate the formation and establishment of non-agricultural industries in rural areas. For this purpose, a group of villages in Hamadan province that are engaged in non-agricultural activities were selected as a sample. Data collection was through questionnaires, in-depth interviews, and field observations.

2. Method

The small industries that are selected as a sample are non-agricultural activities that have been started and developed in the form of "One Village, One Product"-OVOP- model. By completing the backward and forward activities, they have formed industrial (non-agricultural) clusters at the level of micro, small and medium units such as Razan rubber cluster, Tuyserkan sofa cluster and Kerdabad and Dastjerd clothing cluster, Ganj Tappeh food industry, etc.

3. Findings

1. Acquiring skills in Tehran: Before starting their activities in the village, all activists in different industries have had a similar experience in Tehran so that the initial starters and founders have acquired the related skills already in Tehran.
2. Having connections with the main distribution centers: The main condition for establishing activity in the village is direct connections with the distribution centers.
3. The difference between explicit and implicit costs among rural and urban places: Urbanization increased not only the explicit living costs such as housing and workshop rental and transportation costs, but also the implicit costs such as urban air pollution and heavy traffic lines.
4. High social capital in rural areas compared to urban areas: High familiarity and trust, and as a result, social capital has reduced the need for trust-building and guaranteed exchanges in practice. When a transaction is made with mutual trust and without the need for a check as a guarantee, the transaction will definitely be done easily.
5. Technology transfer from the center to the village: With the establishment and continuation of activities in the villages and the expansion of production and distribution networks, as well as the formation of industrial clusters, capital accumulates, so the possibility of purchasing and installing new machines increases.
6. Completion of the production chain: With the expansion and development of activities and the recognition of the village as a production center, the rest of the production circles will be transferred to the village. As a result, we are rapidly completing production chains and transferring different stages of production from city to village.

7. Absorbing new customers: When the place of production in the village is known to everyone, these villages will rapidly receive new customers from different parts of the country.
8. Increased competition: imitation of the method of production by others leads to increased competition and the need for distinctive production and attracting customers with different tastes become important. Thus, what causes the growth of the number of producers in the meantime is the use of production methods and measures to differentiate their products in order to increase their product quality, introduce a new type of product and create new and distinctive product brands.
9. Expansion of jobs related to women: Due to the close relationship between families and people in the village and, on the other hand, the need for labor, rural women are employed as a complementary force.
10. Being with the family: Another hidden and effective feature in moving the production site from the city to the village is being close to the family.
11. Using labor intensive technology: Most of these activities are manual. Therefore, the unemployment rate in these areas is very low and close to zero.
12. Reverse migration: After learning the method of production and acquisition of skills in Tehran and large urban centers, they have migrated to their village to use these skills. Therefore, reverse migration is one of the consequences of starting these activities in villages.

4. Results:

The results showed that among the villages that have succeeded in establishing ONE VILLAGE, ONE PRODUCT (OVOP) activities, "market access" is a common factor. Having maintained the relationship with the market and the customer, the past worker has become a non-agricultural rural producer. Transferring the site of production to the village, they need skilled and semi – skilled workers, so they have trained and employed the local people in the village. At the same time they imitate skills and create similar family workshops. Due to these developments, some villages have experienced reverse migration and people have returned to the villages from the cities. Finally, it was found that better income prospects, flexibility, working in a less stressful environment, as well as job stability were important reasons for continuing these activities.

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