

“Community Development through Small Business”

—A Korean Case of Saemaul Movement—

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1. The predominant problem commonly facing most of developing countries is to wipe out the vicious circles of poverty. The development efforts to this end can be approached in different ways, depending on socio-economic conditions, available resources and skilled labors, the choice of strategy and techniques.

2. However, there is almost an universally accepted feeling among developing countries that industrialization is the most effective way to eliminate their economic handicaps, to achieve a substantial growth of output and to raise the levels of living of their populations. Therefore, “the standard development strategy of the past two decades emphasized rapidly increased marginal savings, investment, and employment in the modern sector of industry. It generally limited its agricultural concerns to the production of commercial crops to feed urban populations and earn foreign exchange. Its explicit or implicit premise was that it would produce significantly higher marginal rates of savings and investment than alternative strategies, and that the growth of the modern manufacturing sector would eventually ease whatever unemployment problems were developing in rural areas and traditional urban sectors as a result of the concentration of incentives in the modern sector.”¹⁾

3. Even in pursuing such development strategy, the highest priority was generally given to the approach which could ensure a high economic growth rate. Given the conditions of capital shortage in the early stages of development, development policy-makers critically promoted rapid expansion of large-scale industries in view of high productivity, the economy of scale and other advantages stemming from modern machinery utilization, technology development, marketing techniques, methods of management and quality control. In other words, they found it very difficult to justify the allocation of scarce re-

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sources to small industry sectors in proportion to their large-scale counterparts.

4. As a result, industrial development politics with preferential treatment to large-scale industries have allowed large-scale industries to almost monopolize the protective measures and assistance of the government. The “widening gap” between small-scale and large-scale sectors and the phenomenon of this economic dual structure, in helping the larger get larger and making the small get pettier, result in more wastes and more problems than anticipated. Furthermore, urban-centered development strategy of modern industrial sectors has created the deepened regional disparities in terms of the distribution of both income and opportunities. In short, the development strategy has failed not only to provide more employment opportunities to the low-income bracket people especially in non-urban areas but to make significant contributions to their standard of living.

5. From the beginning of 1970's, therefore, the government policy-makers and development planners became conscious of the serious problems that arose from these sectoral and regional disparities, and began to think of “development” as an integrated process involving not only economic growth as such but the development of social objectives of economic growth such as redistribution of income, institutional changes, equalization of employment opportunities, and development of especially backward rural areas. It is now widely accepted that no longer is growth alone in terms of GNP and per capita income the indicator of successful development, but growth with such social objectives.

6. Emerged out of this conceptual rethinking and change of “development” strategy was the so-called *Saemaul Undong*, the New Community Development Movement, which was aimed at making a rural village a better place to live through the villagers own efforts to create a better environment and to raise the standard of living. The Saemul Movement, as it has been implemented since its inception, was developed into a nationwide campaign immediately after President Park Chung-Hee, at a provisional governors' anti-drought measures in April, 1970, stated; “A village can develop rapidly when its villagers are strong in the sense of self-support. Otherwise, a village will hardly be able to escape the poverty inherited from the past 5,000 years. If determined villagers make concerted efforts and do something for community development with the participation of all citizens, I shall, see to it that the government provide necessary support. We may call such a drive a campaign for Saemaul making or a campaign for decent village making.”²⁾

7. From the beginning, Saemaul Movement has given its top priority to the action programs or projects which could yield spiritual enlightenment, improvement of the living environment and increased income. As one writer commented, “Saemaul Movement goes beyond agricultural sector development in that it aims at improvement of the rural environment, changes in the way of thinking, and improvement of the standard of living in

addition to seeking increases in the level of production.'³⁾

8. Of various programs designed to increase farm income through Saemaul Movement much emphasis has been placed on the importance and usefulness of Saemaul Factory (rural small scale industry) as an instrument of the integrated rural community development for equitable distribution of income, employment opportunities and social services through people's active participation in the achievement of growth.

9. It is generally assumed that the problems of rural unemployment during or/and off the farming seasons can be effectively tackled by development projects when they employ highly labor intensive techniques. At the early stage of Saemaul Movement, the government recommended the following projects:⁴⁾

- (1) Reforestation of surrounding mountains
- (2) Widening of roads connecting the village to the main roads
- (3) Repair of riverbanks near village
- (4) Construction of manure storage facilities
- (5) Repair of small pond reservoirs
- (6) Repair of irrigation ponds
- (7) Cleaning of village paths and ditches
- (8) Construction of public wells
- (9) Construction of public laundry facilities
- (10) Rodent control

10. Later, Saemaul Factory Movement, not only as a development project but as an effective instrument of rural community development, was introduced along with the ongoing development projects and efforts to increase production of food grains. It was generally assumed that Saemaul Factory, once established in the rural area will generate a new source of employment opportunity, both for tapping otherwise unused human resources and local resources as well and for getting the benefits of growth shared more widely and equitably. It is further assumed that such Saemaul Factory and other related small business which comes into operation as a result of the former will provide an effective means of stimulating indigenous entrepreneurship, checking the inflow of rural population into the already congested urban centers, decentralizing the industrial growth geographically, and helping accelerate capital formation in the rural areas.

11. With a view to achieving such multi-objectives as described above, the government has first taken numerous incentive measures to induce local investments as well as urban industrialists' active participation in Saemaul Factory Movement in rural areas. Thus, basic infrastructures, administrative services, financial support, tax concessions and other services were provided in each of the major towns with population of less than 20,000 to

stimulate Saemaul Factory establishments in those areas.

12. More specifically, the following guidelines were laid down:⁵⁾

(A) Types of industry to be promoted:

- a. industries where it is possible to procure raw materials in the rural areas, such as food and beverages, wood and wood products, clay, stone products and ceramics, paper products, etc.
- b. industries where the production process is simple and labor-intensive industries, such as textiles, sundry goods, synthetic resin products, glass products, etc.
- c. industries where subcontract relations between small and large firms can be promoted, such as metal, machinery and tools, parts and components, etc.
- d. others which may contribute to the increase of farm incomes.

(B) Promotional measures to be taken:

- a. provision of equipment and working capital loans to finance the construction and operation of the Saemaul Factory.
- b. subsidizing the construction of the Saemaul Factories in model villages.
- c. subsidizing the training of skilled workers and the development of technology.
- d. concessions in property tax and acquisition tax.
- e. assisting small industries through government purchases.
- f. development of local industrial estates to relocate existing small industries or attract new industries to the rural areas.
- g. establishment of home industry centers to assist rural cottage industries by furnishing such services as training of skilled workers, joint purchase and sales, quality control of the products, information, etc.

13. It is generally agreed among the development experts that in countries like Korea where labor is abundant and cheap owing to rapid population growth, they may safely make rapid strides in industrial development by building on small industries which rely for their steady growth upon the requirements mentioned above, especially those of labor-intensiveness and low investment. Some years ago, UNIDO identified the following advantages of helping existing small industries and promoting new ones especially in the rural areas:⁶⁾

- a. Small industrial enterprises provide an effective means of stimulating indigenous entrepreneurship;
- b. They can channel the skills of traditional craftsmen into new lines suited to modern economy;
- c. They help with the unemployment problem since many small industrial establishments lend themselves to capital-saving methods;

- d. They make it possible for the growth of industry to be less concentrated geographically;
- e. They assist in diversification of the industrial structure;
- f. They can help to tap resources which would otherwise remain unused and thus accelerate capital formation.

14. Like any other development efforts, Saemaul Factory Movement as an instrument of the community development in the rural areas should be viewed as a long-range strategy requiring systematically organized knowledge and methodologies for successful implementation. Thus, few worthwhile results would be expected from a short-range view. As far as quantitative aspects of results are concerned, however, Saemaul Factory Movement, since its inception in 1973, has made some positive tangible effects on the Saemaul Movement or the New Community Development in terms of employment opportunities, income distribution and contribution to national drive for export.

15. As of September, 1976, 465 Saemaul Factories were newly established throughout the country and brought about the following effects:

(Table 1)

	1973	1974	1975	1976.9
(A) Employment (1,000)	17 (—)	22 (29.4)	34 (54.5)	47 (38.2)
(B) Total Wages (Million Won)	956 (—)	3,570 (273.4)	7,716 (116.1)	11,393 (47.6)
(C) Average Monthly Wage per Worker (Won)	13,146 (—)	21,525 (63.7)	30,729 (42.8)	36,800 (19.8)
(D) Export (US \$ 1,000)	23,498 (—)	56,963 (142.4)	87,132 (53.0)	123,563 (41.8)
(E) Production (Million Won)	9,940 (—)	26,703 (168.6)	56,444 (111.4)	80,009 (41.7)

Source: R. I. D. Center, *Saemaul Factory*, Vol. 21 (June, 1977), p. 31 Figures in () shows a ratio of increase to the previous year.

16. As shown in the above table, in the first year of Saemaul Factory Movement, it could be able to generate 17,000 new jobs in non-metropolitan areas which were almost tripled at the end of September, 1976, totalling up to 47,000 jobs. It was reported that some of the Saemaul Factories fell short of expectation in production output due mainly to shortage of workers during the farming seasons. This problem has been eased as agricul-

tural mechanization is progressing. To sum up, the role of Saemaul Factory is noticeable in absorbing the farm unemployed who would otherwise come to urban centers to seek employment. It can be said that Saemaul Factory Movement is one of the effective answers to the problems of rural unemployment arising partly from the lack of year-round employment opportunities at present and partly from the effects of future agricultural mechanization.

17. In addition to the efforts to increase the incomes of farm household by increasing production of food grains, Saemaul Factory Movement has enabled the rural people to have access to new or additional income opportunities. Until recently, the disparity in incomes between the rural and urban sectors, owing mainly to the urban-centered development strategy in non-agricultural sectors, was very much significant showing considerable low rate relative to urban wage earner in average. As noted in the following table, average farm household income was 60% of an average urban wage earner's household income in 1967 and 67% in 1970. This imbalance has been gradually reversed since 1974. Saemaul Factory Movement is certainly one of the factors, contributing to rapid increase of farm incomes. In the first year of Saemaul Factory Movement, an average wage per month was 13,146 *Won* (equivalent to US \$30) in 1973, which was increased by 42.1% in the next three years, amounting to be 36,800 *Won* (equivalent to US \$80) in September, 1976.

The total production output made by Saemaul Factories as shown in the Table 1 in the

(Table 2)

Incomes of Farm and Urban Wage Earner's Household

(unit: 1,000 *Won*)

Year	Farm (A)	Urban (B)	A/B 100
1965	112	113	99.1
1966	130	162	80.3
1967	149	249	59.8
1968	179	386	62.6
1969	218	334	65.3
1970	256	381	67.2
1971	356	452	78.8
1972	429	517	83.0
1973	481	550	87.5
1974	674	647	104.5
1975	873	859	101.6

Source: Ministry of Agriculture and Fisheries, *Report on the Result of Farm Household Economy Survey, 1975*, and Economic Planning Board, *Monthly Statistics*.

first year, 1973 constituted 0.2% of Gross National Product in the same year. The ratio of Saemaul Factory's output to GNP rose to 0.6% at the end of 1975. Its share in the total farm and fishery output increased from 0.8% in 1973 to 2.4% in 1975.

18. As regards the role of Saemaul Factory in national export; in 1973 their export reached US \$23,498,000 corresponding to as much as 0.73% of the nation's total export. The export amount by Saemaul Factory has steadily increased to be 1.71% of the total export in 1975. Regarding export, it should be noted that most of Saemaul Factory products being labor-intensive and utilizing local resources afford comparative advantages in international competition relative to capital intensive products made of imported raw materials.

19. In addition, Saemaul Factory Movement has made significant contributions to the implementation of the government's industrial dispersal plan in the regional areas.

(Table 3)

	No. of Cities	No. of Towns	No. of Counties
Total No. of National Administrative Units (A)	34	1,468	138
No. of Saemaul Factory by Location (B)	23	264	100
(No. of Saemaul Factory Establishments)	(53)	(412)	
B/A (%)	67.6	18.0	

Source: R.I.D. Center, *op. cit.*, p. 32.

As shown above, it was reported that as of September, 1976, 53 Saemaul Factories were newly established in 23 cities out of total 34 regional cities in Korea, constituting 67.6%. In average 2 Saemaul Factories were built in each city while 412 were set up in 264 towns which constitute 28.1% of the total 1,468 towns, each having less than 20,000 population. As mentioned before, it is the government policy to induce at least one Saemaul Factory in each town. It is a matter of time to achieve this target.

20. It should be mentioned before closing the comments on the effects of Saemaul Factory Movement that the infrastructures laid down primarily for the purpose of implementing Saemaul Factory Movement make significant contributions to the improvement of the quality of rural area through rural electrification, expansion of rural roads and water supply, the establishment of social services for workers, and improvement of village living conditions. "It is also facilitating specialization of production and the enhancement of complementary and linkage effects between rural and urban industries in support of the

nation's goal of industrial dispersion.”⁹⁾

21. Given the state of our present knowledge, data and information, we can come to a conclusion that if community development is viewed as a process of improving the quality of life of the rural people and their environment through greater productivity and increased access to resources and services, then Saemaul Movement in general and Saemaul Factory Movement in particular are bound to become an effective strategy for fostering community solidarity, for organizing and delivering basic social services, and for stimulating and consolidating social change and development at the rural development level. This lesson we can learn from the Korean case of Saemaul Movement.

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