

# Emerging Opportunities and Challenges for Cottage Industries in India

Dr. Merlin Thanga Joy\*, R. Melba kani\*\*

\* School of Management studies, Asst. Professor, Noorul Islam University

\*\* School of Management Studies, Ph.D Research Scholar, Noorul Islam University

**Abstract-**The commodities that are being produced by cottage industries are basically consumable ones and are produced through the utilization of the traditional techniques. Cottage Industry especially started its function in the country sides of a country where unemployment along with under-employment are prevalent. Thus, this industry helps the economy by absorbing a huge amount of surplus labor of the rural economy. Another glaring feature of Cottage Industry is that it is not a mass producer of commodities. The main risk that is being faced by this industry is from the factory based medium or large industries which are again capital intensive in nature. This is because of the fact that these large industries utilize all sorts of cost effective technologies which enable them to supply the products at low price. On the other hand, The Cottage Industry is basically labour intensive and utilizes traditional techniques in production process which are generally not cost effective in nature which escalates the price of their product. The products supplied by the Cottage Industry thus face risk of extinction if they don't receive enough financial or other form of support from the government.

**Index Terms-** Cottage industries – women entrepreneurs – Opportunities - Challenges

## I. INTRODUCTION

The term 'cottage industry' is used when products are manufactured on a small scale. India is well known for its large number of traditional cottage industries. But with the advent of the industrialization, cottage industries witnessed a sharp decline. However, the government has taken steps to revive cottage industries and they now play an important part in contributing to the economy of the country. The top five Indian cottage industries are cotton weaving, silk weaving, carpet making, leather industry, metal handicrafts and small food processing industries.

Cotton weaving is a very important cottage industry in India. This skill dates back to ancient times as cotton clothing is widely worn around the country. Indian cotton weaving is known for traditional designs and patterns done by skillful weavers with their looms. The cotton industry in India is concentrated in Maharashtra, Tamil Nadu, and Gujarat. Silk weaving is another famous cottage industry in India. India is one of the major producers and consumers of silk as it is worn on special occasions such as weddings and festivals. Mulberry, Muga, Tassore, and Eri are the types of silk produced in India. Around 70% of the silk weaving industry in India is concentrated in Karnataka.

Carpet making was introduced in India during the Mogul era. Even though the Kashmiri carpets are world famous for their fine quality, India also is known for its durries and coir mats. The carpet making industry in India is in Kashmir, Rajasthan, Punjab, Uttar Pradesh Andhra Pradesh and Punjab. The Government of India has set up the Carpet Export Promotion Council for promoting hand-knotted rugs and all other types and styles of floor coverings from around the country.

India is a supplier of high quality leather to the global market. The Indian tanning industry can produce around 10% of the global demand. This industry employs around 2.5 million people and is considered one of the major export earners for India. The major leather producing regions in India are Tamil Nadu, West Bengal and Uttar Pradesh. Metal has always been used in India to make figurines, utensils, jewelry. Metal handicrafts have a distinctly Indian touch and are widely appreciated around the world. They have been a significant contributor to the Indian economy. Cottage Industry is a concentrated form of small scale industry where the productivity of the goods takes place in the houses of the laborers and the workforce include the members of the family. The equipments used to generate products are not the hi-tech ones but generally those which are used at homes.

Cottage industry is generally unorganized in character and falls under the category of small scale industry. They produce consumable products through the use of conventional methods. These types of industries originate in the country sides where unemployment and under-employment are widespread. In this way, cottage industries help the economy by engrossing a massive amount of remaining workforce of the rural areas. But on the flip side Cottage Industry cannot be considered as the mass producer of products. It faces major risks from medium or large industries which demand huge amount of capital investment for all types of hi-end technologies.

## II. OPPORTUNITIES FOR COTTAGE INDUSTRIES IN INDIA

Cottage Industry is often characterized by its enormous potential for employment generation and the person getting employed is basically regarded as a self-employed one. It has been empirically found out that Cottage Industry has given economic independence to the women in the developing as well as developed countries. Cottage industries involve all the family members contribution for the development of the family. The most common form of support extended by the governments towards this industry is through forwarding of capital subsidies. Another form through self-help groups. They are very much helpful for the cottage industries. As the women employed in the cottage industries are the members of the self-help group and they can get financial assistance at low interest rate which is a great boon for them.

## III. PROBLEMS FACED BY COTTAGE INDUSTRIES IN INDIA

Cottage industry is considered for its enormous potential of providing employment. But, over the years, employment may have increased in this industry but the income of the people has definitely decreased as the middlemen offer low prices to the manufacturers but take heavy chunks of money from the buyers. But, it is not only the middlemen and the dealers. The new revised foreign policies, globalization is also responsible for the current condition of cottage industry. The handloom weavers are facing constant competition from the power looms. These workers have given their whole life to stitching and knitting. The skill that they possess is just unmatched. But, still they are at the same place where they had started years ago.

An industry, providing employment to a large section of our population is in such distress. With over 4 million people engaged in handloom industry, such a condition proves the adversities which these people are facing. An interesting point to note is that out of the total people engaged in this industry, around 47% are below poverty line. Also, according to the new census, the average annual household income of these people is just Rs 41,068. And given the large family size among this section of the society, the per capita income is just a little more than nothing.

Cottage industries in India face dearth of capital and large quantity of labour, which force them to buy capital-saving techniques. Hence, there is an urgent need for implementation of techniques which not only enhances productivity but develops skills of the laborers and meets the requirements of the local market. Endeavors should be directed towards the development of technology so that labours can enjoy a decent lifestyle. Government should also provide subsidies for the growth of cottage industries especially in the preliminary stages. The labourers of cottage industry often find themselves fighting against all odds at every stage of their business, be it buying the raw materials or promoting their products, arranging for capital or access to insurance covers, etc.

### *A. Problem of Raw-materials*

Due to their limited resources, the owners of these industries cannot afford to purchase raw-material in bulk. That is why they get low quality materials at high rates.

### *B. Problem of Finance*

Cheap and easy finance is not available to these industries. The financing system of government institutions and banks is such that these industries have to complete many formalities and there are so many complications which can be followed by these less educated entrepreneurs.

### *C. Marketing problems*

These industries mainly exist in villages and due to lack of transport and communication facilities they are handicapped in finding suitable markets for their products,

### *D. Lack of Managerial Talent*

Cottage and small scale industries are mostly run by the small businessmen having no training of management and organization. How these industries, therefore, can stand before the large scale industries which are managed and organized by the specialists of that field?

### *E. Competition with large-scale industries*

The main problem before these industries is that they are unable to compete with large-scale industries. The economies of large-scale production are not available to them and therefore they fail to compete with large-scale industries.

Cottage industries are the victims when it comes to attracting the attention of modern industry. This calls for preservation and promotion of cottage industries through formulation of public policies directed at improving the industry both in context of income of laborers and technological aspects. It is high time now that the Government took some initiatives. Though in every budget, new promises are made, new policies are made. But, so far none of them has benefitted these people much. They are almost in the same conditions as they were decades ago. Though there's a marginal increase in their income but if at the same time, we also notice the increase in the expenditures, then, we can say that in fact they are worse now than they were earlier.

## IV. STEPS TAKEN BY GOVERNMENT TO OVERCOME THE PROBLEM

Keeping in view the importance of cottage and small scale industries the government have taken many steps to overcome their problems. The main steps taken are:

(a) The Union Government has set up a number of agencies to help the village and small industries. These include the Small Scale Industries Board the Khadi and Village Industries Commission, the All India Handicrafts Board, the AH India-Handloom Board and Central Silk Board.

- (b) Credit facilities are made available to these industries through a number of institutions. Small scale sector is included in the priority sector for the supply of institutional credit.
- (c) Industrial estates and rural industrial projects have been set up and industrial co-operatives have been organized.
- (d) To encourage the small scale sector, the Central Government has reserved 807 items for exclusive production in the sector.
- (e) The District Industries Centres are being established at the district level to provide under one roof, all the services and support required by small and village entrepreneurs.

The Industrial Policy Resolution, 1980 has these following provisions for the development of cottage and small-scale industries

- (a) Introducing a scheme for building up of buffer stocks of essential materials which are often difficult to obtain. Special needs of states which rely heavily on a few essential raw-materials will receive priority.
- (b) To generate as many ancillaries and small and cottage units as possible, the government will set up a few nucleus plants in each district. A nucleus plant would concentrate on assembling the products of the ancillary and small scale units falling within its orbit.
- (c) Enhancing the limit of capital investment for small scale and ancillary industries.

## V. ORGANIZATIONS WORKING FOR THE BENEFIT OF COTTAGE INDUSTRY IN INDIA

The well-known organization like Khadi and Village Industries Commission (KVIC) is working towards the development and endorsement of cottage industries in India. Other premier organizations are Central Silk Board, Coir Board, All India Handloom Board and All India Handicrafts Board, and organizations like Forest Corporations and National Small Industries Corporation are also playing an active role in the meaningful expansion of cottage industries in India. The Department of Industries and Commerce also implements a variety of programmes to provide financial assistance, technical support and guidance service to the existing as well as new industries. These programmes are implemented with an accent on the development and modernization of industries, up-gradation of technology and quality control. It operates through a network of District Industries Centers (DICs), one in each district, headed by a General Manager.

## VI. THE VARIOUS ACTIVITIES UNDERTAKEN BY THE DEPARTMENT INCLUDE

- 1) Registration and promotion of small scale and tiny industries and industrial Co-operative societies.
- 2) Sanction and disbursement of various subsidies and incentives such as State Capital Subsidy, Generator Subsidy, Power Tariff Subsidy.
- 3) Offering various testing facilities for chemicals, metals, metallurgical, electrical, electronic gadgets and appliances.
- 4) Implementation of centrally sponsored schemes like Self Employment Programmes for the Educated Unemployed Youth and Prime Minister's Rozgar Yojana schemes.
- 5) Conducting Entrepreneur Development Programmes particularly special schemes for women.
- 6) Creating awareness about the various policies and programmes of the Government through seminars and dissemination meets.
- 7) Providing Escort Services to the Entrepreneurs.
- 8.) Maintenance of Special purpose Industrial Estates for Electrical and Electronics Industries.
- 9) Providing entrepreneurial guidance through Data Bank and Information Centre and technical information sections attached to various District Industrial Centers.
- 10) Identification of new areas with growth potential and providing familiarization and Incubator facilities to promising entrepreneurs.
- 11) Conducting Techno-Economic Surveys.
- 12) Conducting sample and comprehensive surveys.
- 13) Development and promotion of cottage and handicrafts industries.
- 14) Training facilities in the field of light engineering, tool and die designing.
- 15) Assistance for import of capital goods machineries and scarce raw materials.
- 16) Implementation of Quality Control Act on Electrical household appliances, etc.
- 17) Export Promotion.
- 18) Supervision of implementation of special assistance schemes announced by Government in favour of small and tiny sector units.

Apart from this the entrepreneurs are assisted in getting statutory clearances from Local Bodies, Town Planning, Pollution Control Board, Public Health, Factories and other Departments and getting power connections through the Single Window Committee. The District Single Window Committee has been formed with District Collector as its Chairman. A State Level Committee under the Chairmanship of the Chief Secretary to Government periodically reviews the functioning of the District Window Committees in the State. In order to promote Tiny and Rural Industries, 287 Blocks in the State have been declared as industrially Backward/ Most Backward. Small Scale Industries (SSIs) located therein are eligible for grant of State capital subsidy, Low Tension Power Tariff (L.T.P.T.) subsidy and other concessions. Here comes the most crucial step for your research publication. Ensure the drafted journal is critically reviewed by your peers or any subject matter experts. Always try to get maximum review comments even if you are well confident about your paper.

## VII. CONCLUSION

Cottage Industries are of cultural and economic importance to India. They keep the age old traditions alive and also provide employment to a number of people. Support should be provided by the community to prevent exploitation and further develop these industries as they face stiff competition from other economies. In the over-populated countries like ours, the only way to fight the monster of unemployment is the development of cottage and small scale industries. They will bring about a more equitable distribution of wealth. In the words of Dr. V.K.R.V. Rao, "Small scale and cottage industries have a special claim for consideration in that they are the local investments through which the decentralization of industrial production can be achieved." It can, therefore, be said that 'Small is Beautiful'.

## REFERENCES

- [1]Aditi Swami, "Cottage Industries in India", The Viewspaper , March 5, 2010.
- [2] Durgesh Shanker, Crafts of India and Cottage Industries, Indusvista Editions (January 1, 2004).
- [3][http://www.chillibreeze.com/articles\\_various/top-five-Indian-cottage-industries-511.asp](http://www.chillibreeze.com/articles_various/top-five-Indian-cottage-industries-511.asp).
- [4][http://www.tn.gov.in/spc/tenthplan/CH\\_10\\_2.PDF](http://www.tn.gov.in/spc/tenthplan/CH_10_2.PDF).
- [5] <http://www.economywatch.com/world-industries/c.ottage.html>
- [6] <http://www.youthkiawaaz.com>.
- [7]<http://business.mapsofindia.com/india-industry/cottage-industry.html>.

## AUTHORS

**First Author** –Dr. A. Merlin Thanga Joy MBA., M.Com., M.Phil., Ph.D,Asst. Professor, School of Management Studies, Noorul Islam Centre for Higher Education, E-mail – merlinsn@yahoo.in.

**Second Author** –R. Melba Kani, MBA, Research scholar, Noorul Islam College of Arts & Science, Kumaracoil – 629180, E-mail-rajamelbakani@yahoo.com