

CHALLENGES OF COTTAGE INDUSTRIES IN INDIA

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ABSTRACT:

Cottage industries and handicrafts constituted the major elements in the organic unity and culture of the people from the earliest times in the known history of India. The unique products of the labours of the cottage industries were in full bloom until the British arrived to the country. The advent of the British power in India adversely affected the Indian cottage industries. The demand for the products of these industries suffered through competition with cheap machine made products of the British industry. After attaining independence in 1947 the Government of India realized the importance of these Industries and made special efforts to stop the decay of these industries. The main objective of the present paper is to enumerate the problems of the cottage industries in India and at the same time through light on the significant role of cottage industries in Indian economy. The work is based on the analysis of various primary and secondary data.

KEY WORDS: Cottage Industries, Handicrafts, Unique Products, British Power, Government of India.

INTRODUCTION:

India is the land of villages and her economy even today remains to be rural in nature. Although the last six decades of economic planning has yielded a slight shift of rural population to urban areas but the predominance of rural population goes unquestioned. The rural area in India provides employment in two major sectors: the farm sector and the non-farm sector. Though the farm sector is the major source of employment generation for the rural people but at the same time the contribution of non-farm sector cannot be subdued. The non-farm sector has unlimited scope for rural people from the point of view of employment and income generation. The cottage industries and small scale industries fall in the non-farm sector. Traditional Industries like khadi industry, handicrafts etc. located in the villages and towns of India are called cottage industries. Development of village Industries based on local raw materials, skills and manpower is an important source of providing gainful employment in rural areas. These industries help to promote rural industrialisation.

Cottage industries and handicrafts constituted the major elements in the organic unity and culture of the people from the earliest beginnings in the known history of India. The unique products of the labours of the cottage industries found their full bloom till the British came to the country. The advent of the British power in India adversely affected the Indian cottage industries. The demand for the products of these industries suffered through competition with cheap machine made products of the British industry. After attaining independence in 1947 the Government of India realized the importance of these Industries made special efforts to stop the decay of these industries.

OBJECTIVES:

- (a) To enumerate and study the various problems of the cottage industries in India.
- (b) To through light on the significant role of cottage industries in Indian economy.

(c) To look into the government initiatives to help cottage industries in India.

RESEARCH METHODOLOGY:

The study is mainly descriptive in nature. The work is based on the analysis of various primary and secondary data. Various monographs, manuscripts, books, journals; magazines were reviewed for the present study.

DEFINING COTTAGE INDUSTRIES:

A cottage industry is one which is carried on wholly or primarily with the help of the members of the family either as a whole time or part-time occupation. It is small scale, decentralized manufacturing business. They are generally classified based on the amount of investment required to start and the number of people employed. They produce labour intensive goods and thereby often find it difficult to compete with the machine or factory.

“Cottage industries are mainly traditional industries which produce traditional goods with the help of traditional techniques. These Industries generally use family labour and family savings in as capital. They purchase raw materials from the local markets and dispose of their products in local markets. These industries do not employ labourers from outside; either does not use or seldom use machines and power (electricity). These are also termed as Village Industries as these industries are located mostly in villages.” (Dhar and Lydall)

According to Fiscal Commission (1949-50), “Cottage industry is an industry which is run either as whole- time or part- time occupation with the full or partial help of the members of the family.

According to Planning Commission cottage industries are mainly rural in character and are generally associated with agriculture involving operations mostly by hand and are carried on in the home other as a whole- time or as a part-time occupation, primarily with the help of members of the family.

These industries are also called the village Industries the agro -industries, unorganised industries, rural industries. The traditional classification of small and cottage industries(SSCI) has now been replaced by micro and small enterprises (MSEs).The Micro ,Small and Medium enterprises(MSMEs) Development Act 2006, has divided industries (other than large scale enterprises) into three tiers, viz., micro ,small and medium enterprises.

As per this Act, classification of MSME enterprises:

	micro	small	Medium
Investment	<25lakhs	25 lakh-5 crore	>5 crore

TYPES OF COTTAGE INDUSTRIES:

1. **First category:** Those cottage industries which provide supplementary occupation to the cultivator are placed in this category, e.g., handloom weaving, basket making, rope making.
2. **Second category:** This category consists of village crafts like blacksmiths carpentry, oil-pressing by ghanis, pottery, village tanning industry, handloom weaving by professional village weavers.
3. **Third category:** This category covers cottage industries which in urban area provide whole time occupation to the workers and engaged them in works of, e.g. wood and ivory carving, toy making, gold and silver thread making, brass utensil and other materials manufacture, shoe making, carpet weaving etc.

PAST GLORY OF COTTAGE INDUSTRIES:

Cottage industries and handicrafts flourished in India in early times. They were the main

source of income and employment. Their products found ready markets in foreign countries. The products were noted for their excellent and artistic skill. “At a time when the West of Europe, the birth place of modern industrial system, was inhabited by uncivilized tribes, India was famous for the high wealth of her rulers and for the high artistic skill of her craftsmen.”[4]

Products of Indian Industries like muslin of Dacca, silk of Cuttack, cotton fabrics of Surat and Nagpur were purchased in foreign markets with great fondness. “The Muslins of Dacca were famous ages ago, throughout the civilized world. Textile fabrics of unique fineness, tapestry glittering with gold gems, rich embroideries and brocades, carpets wonderful for the most at harmony of colours, furniture most elaborately carved, swords of curious forms and excellent tamper are among the objects that proves the perfection of art in India.”[10]

Indian Silk fabrics are said to have been sold in Rome in the equivalent weight in gold. Megasthenes, the great Greek Traveller, while praising the riches of the Indian rulers said that, “their robes were worked in gold and ornamented with precious stones and they wear also flavoured garments made of the finest Muslin.”[

Prof. Weber wrote, “The skill of the Indians in the production of delicate woven fabrics, in the mixing of colours, the working of the metals and precious stones, the preparation of essences and in all manners of technical arts, has, from very early times enjoyed a world- wild celebrity.” [6]

DECAY OF THE COTTAGE INDUSTRIES:

Unfortunately, after the establishment of British power in the second half of the eighteenth century the Indian cottage industries declined due to adverse policy taken by the British government. However, the weavers of the cotton piece goods contributed the Bengal’s economy to a great extent before 1757. Thus, the decay of the cottage and handicrafts industries accelerated after the arrival of British, although the seeds of its decay had already been sown in Mughal period itself. The causes responsible towards the decay of these cottage industries include:

- ❖ The disappearance of native courts.
- ❖ The establishment of a foreign rule.
- ❖ The policy of Imperialism followed by the British.
- ❖ As a result large number of workers got retrenched.
- ❖ Development of Railways further destroyed the Indian cottage industries.
- ❖ Imports of machine made goods from United Kingdom were facilitated by railways.
- ❖ The policy of the industrialization practiced by British government aimed at acquiring adequate quantity of raw materials from the India at cheap rates and selling manufactured goods of British Industries at higher prices.
- ❖ They also followed the discriminatory tariff policy to assist their selves. Heavy duties were imposed on the exportable handicrafts of India.
- ❖ The competition with the machine made goods.
- ❖ Failure of artisans to adapt to the changing conditions.

SURVIVAL OF THE COTTAGE INDUSTRIES:

Inspite of the sagging factors some of the cottage industries showed remarkable utility and survived the British Rule in India. It is said that cottage industries never die. A number of reasons favoured the survival of cottage industries. Some of them include-

- ❖ The Indian artisans find it easy to do amidst their family surroundings.
- ❖ The rigid caste system stood in the way of changing their ancestral work.

- ❖ The Swadeshi Movement started under the aegis of Indian National Congress provided stimulus to cottage industries in India.
- ❖ Agriculture provides seasonal employment. Supplementary occupation is needed to absorb their idle time and augment their low earnings.
- ❖ The cottage industries provide large number of services to the large-scale industries.
- ❖ The people's craze for the goods of high artistic skill produced by the cottage industries.
- ❖ Efficient cottage industries introduced new varieties of articles in accordance with the changing likes and taste of the consumers.

SIGNIFICANCE OF COTTAGE INDUSTRIES IN INDIA'S ECONOMY:

In the modern technological age when most of the old cottage industries have become out-dated or have lost their economic viability, new ones have emerged to give even full time employment to those who go in for them. Electronics has revolutionized the very concept of cottage industry. Many jobs are carried out by the computers. Traditionally, cottage industries have been rural based but with the technological advancement these Industries have spread to urban areas also. The markets in cities are dotted with small shops and establishments which are carrying on a good business in electronic typing, printing, cyclostyling, photo stating, scanning etc. Thus these small occupations have come to have good employment potential. Cottage industries play a very important role in India's economy.

- ❖ **GOOD EMPLOYMENT POTENTIAL:** Cottage industries are labour intensive industries. A given amount of investment in a cottage industry provides employment to more people than the same amount of investment in a large scale undertaking. In 2014-15, 1171.3 lakh persons were employed in micro, small and medium enterprises. As per census report of the year 2001-02, employment generated by small scale industries per Rs. 1, 00,000 investment was 1.39, while in employment generated by large scale industries per Rs. 1, 00,000 investment was 0.20. It implies that large industries require an investment of Rs. 5 lakh to generate employment to one person where as small-scale industries generate employment for 7 persons with the same investment.

Thus; as far as employment is concerned they stand next to agriculture. This is of great importance for the Indian economy where the number of the underemployed and unemployed is very large. "In underdeveloped countries with large reserves of surplus labour there is undoubtedly a case for paying special attention to labour intensive and light industries scattered and decentralized rather than concentrating on capital intensive heavy industries."

- ❖ **LOW CAPITAL INVESTMENT:** Cottage industries require very meagre amount of capital investment for turning out manufactured goods. They are called capital light industries. A micro enterprise can be started with a capital investment of Rs.4 lakh to Rs.5 lakh. They make possible economies in the use of capital. As capital is very scarce in a developing country like India, it will cut much ice in the direction of industrialization if cottage industries are established in as large number as possible. Therefore, as cottage industries need less capital, yield quick returns with less risk, investment in these units is preferable in India, a country where capital is relatively scarce.
- ❖ **PLATFORM FOR ENTREPRENEURS:** Apart from making economies in the use of capital, cottage industries may call into being capital that would not otherwise have come into existence. Moreover, the small entrepreneur would try to arrange for a capital with the help of his relatives and friends. There are examples of great entrepreneurs who started as managers of a cottage industry and by ploughing their earnings back in the industry systematically succeeded in rising to the present status.

- ❖ **SKILL LIGHT INDUSTRIES:** Cottage industries are skill light and require less technological knowledge and managerial skill. A large scale industry requires a large spectrum of skilled-foremen, engineers, accountants, and so on. Like capital the skills are in a very short supply in our country and it is important to economize as much as possible in their use.
- ❖ **SAVES FOREIGN EXCHANGE:** Cottage industries depends less on imported equipment and material than large-scale industries. Large-scale industries require huge imports in the form of equipment and material, thereby upsetting the country's balance of payments. A country owes its prosperity to the large number of the pulsating cottage industries in every town and village.
- ❖ **FAIR AND EQUITABLE DISTRIBUTION OF WEALTH:** In India there are wide disparities in wealth and income of the people. It is possible to reduce these inequalities, to some extent, by providing opportunities to the have-nots to take a cottage or small scale industries for their living. Professor V.K.R.V. Roy has said that the small-scale and cottage industries have this in their favour that, “with proper safeguards they will result in a large and more widely distributed sharing of the productive function and therefore; a more equitable distribution of the produce of industry.”[12]Cottage industries preclude the chances of concentration of economic power in the hands of a few people. They make for a more and fairer distribution of income and wealth.
- ❖ **REDUCE REGIONAL DISPARITIES:** All the regions in India are not equally developed. Cottage and small scale industries play an important role in dispersal and decentralization as they can be established with relative ease. Cottage and small scale industries have a special claim for consideration is that they are the local investment through which the decentralisation of industrial production can be achieved.
- ❖ **ENVIRONMENTAL FRIENDLY:** The cottage industries are largely free from pollution problems and are environmental friendly. Large scale industries have already contributed so environmental degradation beyond repair. The future of mankind now lies with cottage industries and only least with large scale ones.
- ❖ **ARTISTIC GOODS:** Cottage industries alone can make the production of artistic goods possible. In India, these Industries produce artistic goods, such as, Banarasi sarees, ivory work, carpets, ornaments; etc. These goods have large market abroad.
- ❖ **CONTRIBUTION IN EXPORTS:** In 2014-15 contribution of micro, small and medium enterprises was 40% of the total exports. These Industries have great importance in the export trade of the country. These industries help to earn good deal of foreign currency. In 2016-17, handicrafts worth Rs. 22,845 crore and gems and jewellery worth Rs.2, 57,969 crore were exported to foreign countries.
- ❖ **COMPLEMENTARY TO LARGE INDUSTRIES:** These industries serve as complementary to large Industries. They produce such goods which are used by large Industries as intermediate goods.

PROBLEMS OF COTTAGE INDUSTRIES:

In spite of their vital role in the national economy, cottage and handicraft industries face varieties of problems. Some of the major problems may be enumerated here:

- ❖ **PROBLEM OF RAW MATERIALS:** Cottage industries depend heavily on the open market for the supply of raw materials, where the prices are more than double the control prices. A major portion of the raw materials is taken away by the large Industries. Thus, they fail to attain a regular supply of adequate and good quantity of raw materials, at cheaper rates. The inadequacy in supply of raw materials and poor quality of raw materials increases the cost of production and the goods produced are of inferior quality.

- ❖ **TECHNIQUES OF MANUFACTURE:** In the cottage industries, the techniques of manufacture are poor and primitive. Traditional age-old methods and implements are being used for production which has not changed for generations. Old tools and equipments, like oil expellers (Kohllu) and handlooms are still in use. These results in fall in quantity and quality of output produced. Such goods have very limited demand.
- ❖ **PROBLEM OF FINANCE:** Finance is the blood of every business enterprise. The biggest problem faced by the cottage industries is that of obtaining necessary finance. The artisans require finance for purchasing raw materials, for storage of raw materials, and for holding the finished goods. It becomes difficult for the artisans to obtain money from commercial banks and cooperative credit societies in the absence of sufficient security. So they largely depend on private money lenders and mahajans for finance. They charge high rate of interest and in some cases compel the debtors to sell their finished products to them at cheap rates .In this way these industries are subjected to the exploitation.
- ❖ **DIFFICULTIES IN MARKETING:** Lack of proper marketing channels is another major problem faced by the cottage industries. The products of the cottage industries have to be sold mainly in the local markets which limits the scope for remunerative prices.
- ❖ **HIGH COST OF PRODUCTION:** The high cost of raw-material, old methods of production ,unskilled labour, production in small quantity, high per unit fixed costs increases the cost of production of the products in these industries.
- ❖ **LACK OF STANDARDISATION:** The finished products produced by these industries lack standardisation.
- ❖ **LIMITED DEMAND FOR ARTISTIC GOODS:** Cottage industries of India have concentrated their attention on the production of artistic goods. The demand of these goods is limited, so these Industries cannot increase their production.
- ❖ **LACK OF SKILLED LABOUR:** These industries have shortage of skilled labour. Workers are mostly illiterate, ignorant of new equipments and modern techniques of production.
- ❖ **INDUSTRIAL SICKNESS:** In India, about 4, 80,280 micro and small enterprises were sick in the year 2016.The sick units were running in loss.
- ❖ **LACK OF KNOWLEDGE OF THE MARKET:** Many times, the artisans lack knowledge of the market. In absence of proper market information they are not able to sell their produce at the proper rates.
- ❖ **OTHER PROBLEMS:** Cottage industries bear a heavy burden of taxation. They have to pay octroi duties on the raw materials and sale tax on the finished goods. Many of the products of the cottage industries are not in accordance with the likes, tastes and fashion of the consumers. Production involves a lot of time and labour. Delay in payment of bills by the large enterprises.

GOVERNMENT INITIATIVES TO HELP COTTAGE INDUSTRIES:

The Government of India having realised the potential of cottage industries in providing gainful employment opportunity, income generation for rural communities, reducing regional imbalances, reducing inequalities in distribution of income and wealth, has given highest priority to the development of these Industries vide. Industrial Policy Resolution 1948, 1956 and revised the policy statement in 1977 and 1980.It is, however, gratifying that Government is wide awake to the need of promoting cottage industries in India. Certain measures of State encouragement have already been given in various plans. Some specific steps taken by the government from time to time can be summarised as under:

- ✓ Establishment of specialised boards:
 - (a) The Central Silk Board.

- (b) The All India Handloom Board.
- (c) The all India Handicrafts Board.
- (d) The Khadi and Village Industries Board.
- (e) The Coir Board.
- (f) The Directorate of Cottage and small scale industries
- ✓ Credit and Finance:
 - (a) Guarantee Fund Scheme for Micro and Small Enterprises (MSEs).
 - (b) Credit Linked Capital Subsidy Scheme for MSEs.
 - (c) Improve tools.
- ✓ Promotion of marketing.
- ✓ Technological Up gradation.
- ✓ Establishment of Industrial Estates.
- ✓ Tax concessions.
- ✓ Export incentives.
- ✓ Purchase of goods by the government.
- ✓ Improved tools.
- ✓ Setting Central Cottage Industries Emporium.
- ✓ Research and training centres.

POLICY INCENTIVES AND FACILITIES FOR COTTAGE INDUSTRIES:

- ❖ Khadi and Village Industries Commission has set up Rural Industries Service Centres for providing infrastructural support like skill upgradation, testing facilities, improved machinery, marketing skills, packaging etc., to micro and small industries in rural areas.
- ❖ Government of India has set up National Commission on Enterprises to recommend measures for improvement in the productivity of these enterprises, and for providing support in areas like credit, raw material supply, infrastructure, technology up gradation, marketing facilities, skill development etc.
- ❖ Training programs on packaging for export are organised in various parts of the country.
- ❖ Micro and Small Enterprises Cluster Development Programme has been started. In this programme, clusters (Industrial Estates for specific industry as per regional specialisation) are developed. In these clusters infrastructure facilities are developed.
- ❖ In the year 2016-17, government has announced certain tax concessions to promote start up units in MSME sector.
- ❖ Rajiv Gandhi Udyami Mitra Yojana has been launched to offer guidance and help in completing the formalities for establishment of micro small and medium enterprises.
- ❖ Government has announced Public Procurement Policy in which all public sector units are to purchase at least 20% of their total purchase from MSMEs.

CONCLUSIONS AND SUGGESTIONS:

- Cottage industries play a significant role in India's economic development.
- Cottage industries are low budget industries and require very little capital investment as compared to large scale.
- Cottage industries are operated mainly of primarily with the help of members of the family either as a whole-time or part-time occupation.

- These industries are usually engaged in the production of consumer items like toys, cloths, handicrafts, carpets, handloom weaving etc.
- These Industries can generate large scale employment opportunities in a very short period with much less capital.
- These industries promote balanced regional growth by accelerating decentralisation over large parts of the country. Also these can help in reducing concentration of income and wealth and can promote social justice.
- Cottage industries face hardships at every step from buying the raw materials for production, to organising production, to selling of the finished goods in the market. Their products are small in quantity and inferior in quality which keeps the producers poor and their industries backward.
- Industrial Cooperative Societies have been established to provide the financial support to cottage industries. These societies also help in selling the products of these industries, in obtaining scarce raw materials and boosting their exports to a number of countries of the world.
- The problem is great when cottage industries have to compete with the larger units for capturing the limited markets.
- Cottage industries are not able to get their supplies of factors of production at reasonable prices
- Encouraging the cottage industries by providing them various concessions as regards to the supply of raw materials, financing power, tax concessions.
- Some sectors should be reserved exclusively for the cottage industries and large Industries entrance to such areas should be restricted.
- Though many promotional measures have been undertaken by the government to develop and assist the cottage industries, still there are various areas in which these industries can be helped.
- Constant monitoring and evaluation.
- Synchronization with large scale industries.
- Clear cut policy guidelines.
- Vision for the industry.

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