

# Role of Cottage Industry in Indian Economy

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**Abstract** -One of the most important contributors to the Indian economy is an industry known as cottage industries. To encourage the growth of cottage businesses, there will be an increase in funding. By and large, the expression "economic development" alludes to the endeavors that are made to work on the way of life and economic wellbeing of a specific district through the execution of quantitative and subjective changes in the economy. This piece of writing focuses on the contribution that cottage industries make to the growth of the economy. Several aspects of economic growth have been recognized, and we have found that the cottage industry is making a significant contribution there. In order to provide such an explanation, we have gathered primary data by means of a standardized questionnaire. In addition, the challenges that are related with cottage industry are discussed in this research. In the course of this research, five different types of cottage industries were investigated. The contributions that each industry has made to the overall economic growth of India are the primary topic of this academic study. We conclude by putting out a few suggestions for the growth of the cottage industry in India, with the goal of ensuring that this sector is able to flourish and make a greater contribution to the country's overall economic development.

**Keywords:** Cottage Industry, Economic Development, Income generation, Conventional craftsmen, poverty rates, Literacy Rates.

## 1. INTRODUCTION

Indian cottage industries are small, messy, and include tiny, small, and medium-sized businesses. The region produces consumer goods using standards. These organisations usually appear in provincial peripheries with high unemployment and underemployment. Cottage companies in India may create jobs, preserve social legacy, and bring contemporary activities to economically disadvantaged areas, making them vital to the country's economic growth. This sector invests heavily in products and job creation. With over 90% of its revenue flowing to global business sectors, the

region is heavily focused on exports. Our country is full of stunning floor coverings, handlooms, and other handiworks. Opportunity Tree buys from country experts and artisans nationwide to help preserve some of these talents. Traditional craftsmen and those who have kept their profession as a fine art manufacture goods in cottage businesses with a smaller labour force that may be connected. They make a variety of products, including dress textures like khadi, fleece, muslin, cowhide, silk, cotton, and others, adornments, decorations, sculptures, symbols, diamonds, stones, and flavorings, oils, and honey that are popular in India and abroad. Such occupations represent the essence of many rural Indians. However, this book focuses on the foundation and growth of cottage businesses.

### 1.1. Cottage industries

Many cottage manufacturers work from home. The word originally meant "household worker," referring to home-based sewers, lace-makers, wall hanging makers, potters, woodworkers, stoneworkers, oil extractors, etc. Indians practice and perform family rites. Despite advances in science and technology, there has been little effort to improve or adapt ancient methods using modern technologies. Technocrats have forgotten their primary goal: to help traditional companies prosper with technology.

### 1.2. Present scenario of Cottage Industries

Cottage businesses currently seem bad. However, few feel we should stop at nothing to revive them. In ancient times, when men largely do manual labour, only cottage industries existed; no major factories. Cottage industries cannot produce in mass and have low production pace and scale. A textile mill can spin hundreds of bales of fabric quickly, but a weaver can take extremely long to spin one. Big firms and small cottage businesses compete like a runner and an aeroplane: both produce items quickly and cheaply.

### 1.3. Problem related with the cottage industry

The cottage sector faces several issues:

1. The biggest issue is acquiring raw materials, especially cane, as most is imported.
2. Since this industry does not use old machinery, cane workers can only create one product. Since production takes time, labor wage must be greater. Cane prices rise when consumer demand diminishes.
3. Food production is dangerous. Lack of training, knowledge, and skill in food producers makes the issue worse.

### 1.4. Objectives Of The Study

1. To determine which sector contributes most significantly to national GDP growth;
2. To learn about issues facing cottage industries.
3. To propose a few legislative changes to address these issues.

## 2. LITERATURE REVIEW

Nag (2023) discovered that rural cottage enterprises in India have offered a significant source of income for non-farming communities, but have struggled to collaborate with the state and companies to fulfill the SDGs. One such difficulty is the lack of support for MSMEs' proactive commitment to sustainability, which may be addressed by enhancing the sustainability factor and offering capacity building opportunities. It is not often understood how important supply chain and community stakeholders are in sector infrastructure construction. Bishnupur is likewise losing skilled artisans to urbanization and cheap wages. They lack infrastructure and economic resources.

Nag (2022) highlighted that the cottage industrial sector has long been a source of concern and importance, but that little efforts have been made to promote its inclusive expansion in recent decades. India ranks 68 out of 141 on GCI, with many SSI and cottage enterprises but little rules, financing, or infrastructure to support them. Although the SDGs have laid the groundwork for improvement, they are still far from being implemented. Cottage industries are the backbone of rural communities and have the strongest job creation potential; therefore locally supplied SSI may have a sustainable development edge over imported SSI.

Sezhiyan and Gnanadeiveegam (2020) explained their professional development and lifestyle cutoff points in the most important manner. Despite financial and professional challenges, they continued their cottage project to protect, preserve, and support their children and family. As bad as agricultural air and rural areas are, most of its relatives work less in cottage industries and more in the fields. Cottage industry collapsed during this crown period and imprecise political organisation after decades of growth.

Verma and Tiwari (2019) elucidated the significance of cottage industry to the Indian economy throughout its history. It aids exports and, second only to agriculture, employs the majority of young people living in rural areas. Skilled workers engage in low-level product production in cottage industries. The cottage industry mostly produces furniture, bamboo goods, glassware, khadi, handloom, and handcraft items. Every Indian state and area is known for its unique goods. The needlework on Kashmiri shawls and chicken work from Lucknow is world-renowned. Typically, these goods are made by individuals in their homes. Cottage industries do not have the resources to implement the same marketing strategies as their larger counterparts.

Bhandari (2015) observed that 23% of the businesses in the research region generate a yearly profit of \$250,000 or more. Industries are borrowing money from a variety of sources: 39% from banks and other financial institutions, 28% from local moneylenders, and 33% from friends and family. Thus, 46% of business owners spent their money on personal consumption, 33% put it back into the company, and 34% gave it to other causes.

## 3. RESEARCH METHODOLOGY

### 3.1. Sources of the Data

Primary data sources underpinned our study. To collect primary data, interviews and a standardized questionnaire were used. A questionnaire had compulsory and optional open-ended questions. The questionnaire focuses on income, spending, and raw materials. The major source of original data is field surveys. Data is changed and summarized sequentially.

3.2. Sample Size

To write this post, we had to research India's five key cottage industries: food, cane, pottery, boutique shops, and nurseries. Samples were taken from representative subsets of the cottage industry in the research region

since it was impossible to evaluate all relevant and connected aspects. Twenty-five non-experts were asked about cottage industry's impact on India's economic progress.

Table 1: A summary of sample size

Data Collection Period	Gathered By	Types of industries	Number of Respondents (owner)
September – December, 2022	Researchers	Boutique shop	7
		Nursery	4
		Pottery	6
		Cane	5
		Food	3

3.3. Analysis of the Data

Various statistical methods and approaches have been employed to organize, interpret, and analyze the collected data and information. The research was carried out using both analytical and descriptive methods.

been done in a variety of ways to help us focus on the following industries' contributions to economic development:

4. DATA ANALYSIS AND DISCUSSION

An important part of India's economic growth has come from cottage industry. Our data analysis has

4.1. Improvements of literacy rates

Increasing literacy is a sign of economic growth. Cottage business has increased literacy. To emphasize on cottage firms, we showed our five-year data:

Table 2: The average literacy rate for the years 2018 through 2022

Years	2018	2019	2020	2021	2022
Average Investment in Cottage Industries (Tk. in lac.)	21	23	25	26	31
Mean Score of Literacy Rate	41%	42%	55%	56%	58%

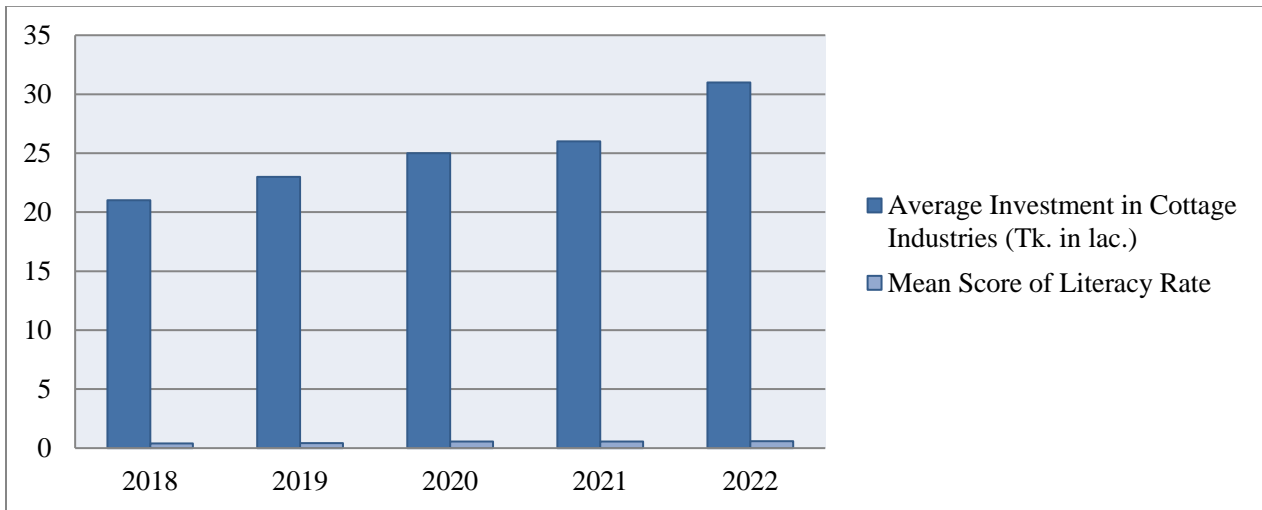


Figure 1: The average literacy rate for the years 2018 through 2022

The table above suggests that literacy and investment develop together. The literacy rate in our sample was 41% in 2018 when cottage industry investment was 21 lacs and 42% when it was 23 lacs. This applied to men and women. In 2021, when 26 lacs were invested in cottage businesses, literacy was 56%; when 5 lacs were invested, it rose 2%. As earnings grow, people

may invest more in their children's education. Consequently, literacy is rising.

4.2. Decrease of poverty rates

Neediness is a lack of money or other possessions. The lack of essential resources including food, water, sanitation, clothing, housing, medical care, and

education is sometimes called neediness or depression. Cottage business is crucial to reducing Indian poverty.

The table below shows our sample data to help centre this job:

Table 3:Contribution to the 2022 reduction of the poverty rate

Factors	Mean Score				
	Boutique shop	Nursery	Pottery	Cane	Food
Gender equality and empowering women	1.25	1.36	0.36	0.36	0.66
Decreasing unemployment problem	1.22	1.77	1.25	0.25	0.25
Eliminating corruption	1.36	1.25	1.14	0.14	0.45
Increasing income tax	1.58	1.99	0.47	0.22	0.25
Ensuring employment oriented technical education	1.69	1.25	0.85	0.25	0.45
Increasing local govt. participation	1.35	1.45	1.15	0.01	0.78
Reducing poverty	1.54	1.36	1.25	0.58	0.58
Enhancing economic solvency	1.25	1.69	0.96	0.45	0.25

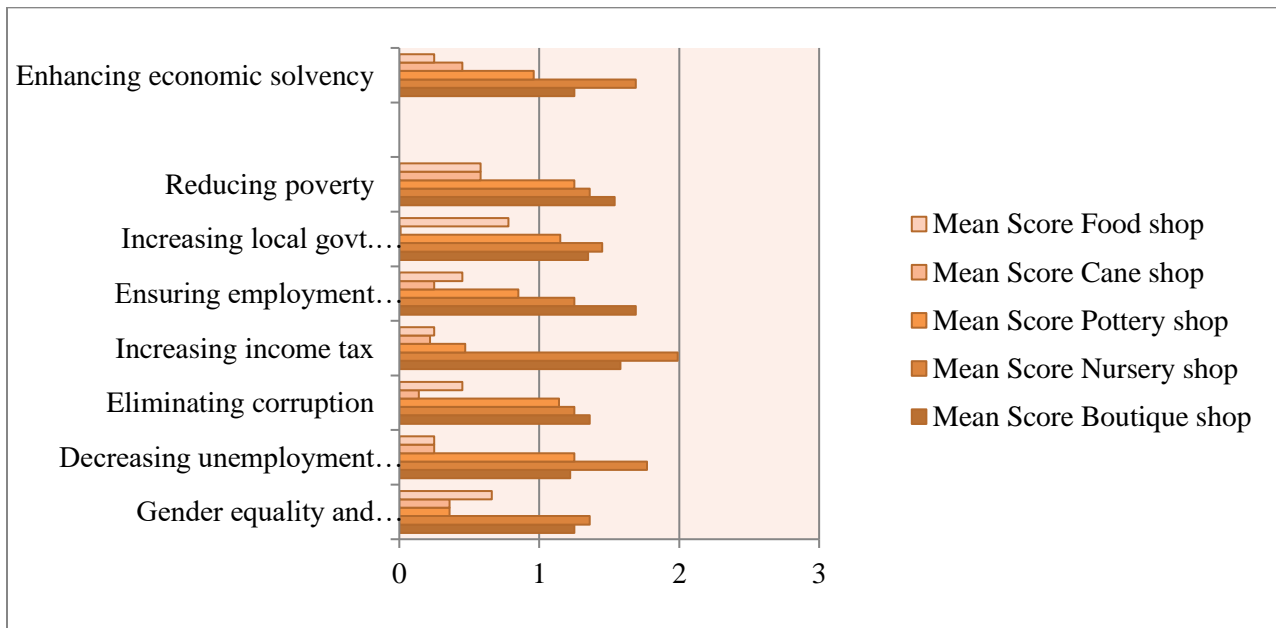


Figure 2: Contribution to the 2022 reduction of the poverty rate

Boutiques, nurseries, pottery shops, confectionery stores, and restaurants have average scores for distinct features in the table above. The rankings show how seriously different types of businesses take gender inequality, unemployment, corruption, raising income taxes, ensuring workforce-focused technical

education, increasing local government involvement, eliminating poverty, and improving economic solvency. Food companies value local government engagement, whereas ceramics and candy companies value corruption prevention. All of the above shows each storage type's complicated priorities.

4.3. Descriptive Statistics

Table 5: Data on the income, expenses, and profits for five cottage industry sectors in 2022

Particulars	N	Minimum(TK.)	Maximum (TK.)	Mean(TK.)	Standard Deviation (TK.)
Income	6	5715	75858	35896.12	25847.44569
Expenditure	6	4455	58492	25548.56	23695.4588
Profit	6	1365	15246	64585.96	45869.45698

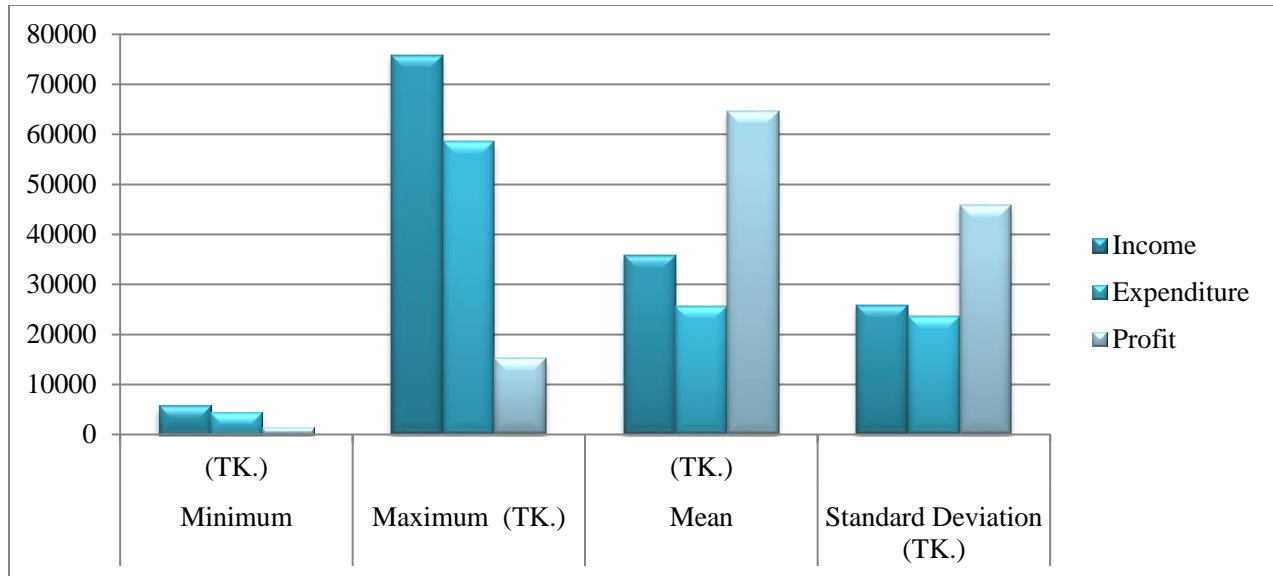


Figure 3: Data on the income, expenses, and profits for five cottage industry sectors in 2022

The lowest and greatest income, expenditure, and profit levels were found by analyzing five industries. Average income is Tk. 35896, expenditure is Tk. 25548, and profit standard deviation is 45869. Table above shows this information. This statistic shows income-to-spending disparity. Natural calamity destroys nursery products.

### 5. CONCLUSION

The cottage industry is clearly in a precarious position right now, both in some areas and across the country. Even as this is happening, its impact on our economy is plain to see. Thus, finding solutions to the present problems facing the cottage industry is crucial. An increase in demand for products created by cottage enterprises would benefit our own culture. People in India's middle class and lower class have economic opportunities through cottage companies, which provide jobs. The majority of cottage enterprises were situated in rural regions, yet they had already created their own distinct history. Modern technology has allowed for the creation of more aesthetically pleasing and highly polished exportable goods, which in turn has led to the industry's spread into urban areas. Many factors, such as the pressure from large organizations, the lack of support from the government, and the myriad problems with lending programmes, all work against the robust growth of small and cottage businesses nowadays. The dedication to this field is

rewarding since it gives rise to innumerable business opportunities, enables individuals to become self-employed, and satisfies both domestic and international demand.

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