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ORIGINAL CONTRIBUTION

The Impact of Issues and Challenges on Cottage Industry in Rural West Bengal: An Empirical Study

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(Received Date: 11th November, 2016; Revised Date: 22th January, 2017; Acceptance Date: 10th February, 2017)

ABSTRACT

India is popularly known for its unique traditions and cultures. In this modern world, the industry which still holds traditionalism and the touch of cultural values is cottage industry. It includes pottery, handlooms, lather industries, coir industries, etc. These industries usually produce indigenous products using traditional tools and techniques. The products were in demand before the eighteenth century, but after mechanization these industrial sectors faced a downfall in the highly competitive market. There are number of factors that result the decline of the cottage industry like financial facilities, government initiatives and policies, marketing constraints, lack of skills and modern technology, logistical problems, etc. This research study helps to appreciate the present marketing scenario of cottage industries in the Rural Market of West Bengal. The finding of the study emphasizes the impact of issues and challenges affecting growth of cottage industry.

Key words: Present marketing scenario, West Bengal Rural Market, Issues and challenges of cottage industry

1. INTRODUCTION

Prelude

Cottage industries are also known as household industries. The production is carried on in the house where the individual along with their family member involve themselves in production process. Artisans and craft men thrived well even in the period of medieval India, but it endorsed a downward shift after the arrival of East India Company. Though there are many potential sectors, cottage industries are getting tremendous threats of competition from the modern market. The initial investment in this industry is low and the tools used are simple and traditional. Cottage industry has a pertinent role in rural economy. Both men and women counterpart are engaged in the production process. Mahatma Gandhi once wrote “there is no doubt in my mind that in a country like ours, teeming with millions of unemployed, something is needed to keep their hands and feet engaged in

order that they can earn an honest living. It is for them that ‘Khadi’ and cottage industries are needed” (Gandhi, 1934).Cottages industries have the capability of creating more employment (Rao, 1967).By the time passes, employment has increased, but income of the artisan has not improved rather decreased due to the fierce competition, intervention of middle men, lack of demand, etc. Manufacturing of product includes different types of expenses and to recover these expenses, sale is urgently required. Thus, sales are one of the most important objectives of cottage industries to survive in the market (Venugopal, 1993).

Objectives

- To understand the present marketing scenario of cottage industries

- To identify the critical factors responsible for downfall of cottage industries

Critical Factors of Rural Cottage Industry in West Bengal

Initiating a business requires certain supporting variables. Whereas, units of SSI (Small Scale Industries) are facing challenges at the first stage of their venture. The important factor that acts as a negative force that discourages the entrepreneurs is availability of financial sources. Before availability of financial support for running a particular unit if SSI, entrepreneurs need to undergo several antecedent procedure and expenses. They are like preparation and submission of project report, acceptance and sanction from different departments, registration of the unit, etc. In the following process some more problems are being faced by the entrepreneur which is intemperate proceedings and delays in registration and getting license, difficulty in obtaining ISI mark. There are many areas of Bengal where power supply is still a problem and in villages there are frequent power cut which affects the production as well as the labour. Labours are paid on the basis of their work. Due to the power cut labours are sometime not paid due to non productivity. In initial days of setting business new connection of power supply also consumes much time. Even water is an important factor to be considered, but new collection for water is another obstacle in the initial stage. Another issue that to be focused on is the initial stage is getting skilled labours.

Marketing Initiatives:

Fifth era of marketing depicts the marketing process according to the customer need. Products or services are processed to endeavour business, whereas the traditional industries are still following the concept of production and the first era of marketing. Where products are being produced in a bulk and distributed in the market. It differs from traditional way of marketing, i.e. without doing market research and knowing the taste and preference of the customer.

(Venugopal,1993). Cottage industry is mainly located in rural areas, thus logistics is a problematic issue for the households in the context of marketing of goods in the urban areas. Things which are seen are sold. Retail marketing is one of the factors to be focused on. Indigenous products does not have exposure in retail marketing .Most of the products are being sold by hawkers and occasionally these products get exposed in exhibitions and fares. Artisan does their marketing, not according to the demand of the customers, but according to their convenience in terms of place or distance. Due to which the potential market is ignored. The operation of logistic is according to the feasible area selected for marketing the products like city or states. Due to lack of transportation problem artisan has to depend on the middle men for their products to be sold in the market. Lack of distribution channel is other deficit of Cottage industries. Consumer awareness is other important aspect to be focused on. No advertisement and promotional activities are done to promote the product.

Financial Support:

Financial support from various sources is one of the factors that come to the mind while setting up the business. SSIs units were being provided with certain credit facilities by the government. According to the budget proposal of 1996-97 credit limits for a SSI unit was restricted to 50 lakhs. To flourish the SSIs, strong support should be given to the credit facilities to encourage the development in SSIs units. Despite of the fact that government has taken initiatives for financial support of the SSI, there are other issues that cannot be neglected and that results discouragement of an artisan. Issues that come with the initiatives of government are how far it has been implemented. Initiatives made the availability of the credit facilities to certain extent, but with that huge documentation procedure, requisite claim for securities and guarantees, etc. To avail the financial support artisan has to bear cost of time as well as other relevant costs. Private or the informal sources are also there to provide financial support. Here documentation or the critical procedure may not

be required, but huge rate of interest is involved. Many entrepreneurs with financial stability thus introduce their own investment but this limits the research and development activity which is required in SSIs.

Competitive Market:

Competition is one of the external forces which have a high impact on the growth rate of cottage industries. The problems which the artisan faces are the result of the influenced external factors and they are not controllable by any particular unit (Desai, 2006). Imported products are the big threat to the cottages industries. In the era of globalization, modern market includes many imported products against the traditional market. The productions of such products are done through modern technology, using machine. Using the modernized equipments and techniques, the competitive market is producing in bulk which leads to economies of scale and these products are relevantly cheaper. They grab vast market with their brand name. On the other hand, using traditional methods and including more of labour cost raises the price of the product in the market. This is one of the reasons of fluctuation of demand. Another factor that causes low demand in the market is the variety of product available in the market, whereas Indigenous product does not have many variations but these modern manufacturers offers several varieties to the customers with high quality product. Traditional products does not have such brand name, where as in this modern scenario it has been seen that customer prefer brand and its assurance of product quality. Cottage industries like terracotta where mostly handy works are emphasized on, has an uncertainty of similar product. The product varies according to the skills and practice of a particular artisan. Modernization includes adapting new trend. Here in the context of production in the cottage industries adapting new technology and techniques does require certain knowledge. Minimum qualification and low knowledge about the modern technology renders the artisan's inability to fight against the competitive market (Craft Economics & Impact Study, 2011). Many of the craftsmen do not have

basic skill of technology; the problem is with the wages rate which does not allow the basic training and development program (Ghouse, 2010). "Shaila wheel" is one of the latest implementation in pottery after traditional wheel. Traditional wheel involves two workmen where one gives shape to the pot and other helps in rotating the wheel, whereas "Shaila wheel" is a labour saving and more productive equipments which work on power supply. Due to the lack of knowledge and installation charge artisan prefer traditional wheel.

Government Initiatives:

Cottage industry works as an employment generating machine, thus government is promoting these industries by formulating various industrial awareness programs. Government of west Bengal, since September 2013 have been arranging 'Synergy' to provide more customized solutions to the micro, small and medium enterprises (MSME) entrepreneurs through support and personalized guidance. In 2014, the strategy of Synergy was executed once in February and other in 2nd August. Department of Micro Small, Medium Enterprises & Textiles (MSME&T), Government of West Bengal takes an initiative called Synergy which is designed to be held once in every three months through which new or existing entrepreneurs can be motivated. Despite of other awareness programmes, several programmes like Financial Literacy Programmes and Entrepreneurship Development Programmes (EDPs) arranged by NIESBUD, where group of entrepreneurs from various districts share a particular platform. An agreement has been signed by the National Institute for Entrepreneurship and Small Business Development (NIESBUD) with the departments of MSME&T., Government of West Bengal, and this project is initiated for the entrepreneur to start their new venture. Industrial policy was declared in July 1991, and the policy regarding the small scale industry was announced in 6th august 1991. Irrespective of the location the investment limits were increased from two lakhs to five lakhs for the SSI units. Investment limit was again increased to twenty five lakhs by the government, which was

recommended by Abid Hussain Committee. On 7th February, 1997, investment limits was once again increased to three crores. In the year 1996-97, the finance minister had proposed in the budget proposal that reference facilities should be provided to State Finance Corporations (SFC) and commercial Bank by the Small Industrial Development Bank of India (SIDBI). Till date many policies have been promoted to safeguard the unfair competition between large scale industries and SSIs, government is still struggling for World Trade Organization.

Hypothesis and Research Model:

H1: There is no significant influence of 'Competitive Edge with large scale Industry' on Rural Cottage Industry in West Bengal

H2: There is no significant influence of 'Marketing Initiatives' on Rural Cottage Industry in West Bengal

H3: There is no significant influence of 'Financial Support' on Rural Cottage Industry in West Bengal

H4: There is no significant influence of 'Government Initiatives' on Rural Cottage Industry in West Bengal

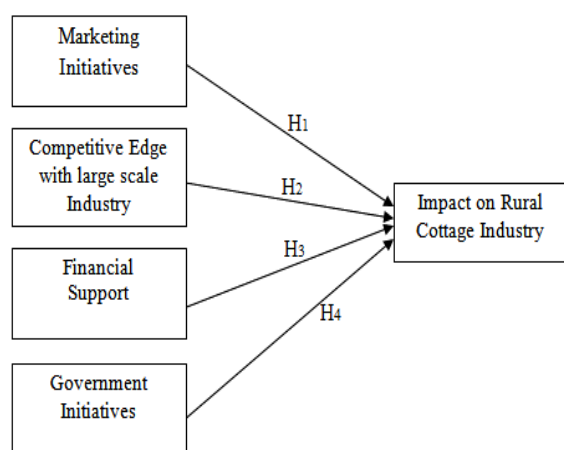


Figure 1: Hypothesized Research Model

2. RESEARCH METHODOLOGY

This research paper is based on secondary and primary data. Various online published research

articles, books, reports, etc. are the sources of secondary data. Primary data was collected from the sample respondents who are engaged in rural cottage industry of West Bengal. Here, we have chosen different rural areas of West Bengal for conducting our survey. In this study, convenience sampling technique was used. A structure questionnaire with 20 statements was constructed for the primary data collection. In this research survey, period was 12th November, 2016 to 16th February, 2017. The questionnaires were distributed to the sample size of 250. The responses of the questionnaires were judged by assigning the following weights (Strongly Agree – 5, Agree -4, Neither Agree nor Disagree- 3, Disagree-2, Strongly Disagree -1) depending on the respondents' preference for individual variables.

3. ANALYSIS AND RESULT

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.797	20

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.706
Bartlett's Test of Sphericity	Approx. Chi-Square	5026.263
	df	190
	Sig.	<.001

Here overall reliability of the study was judged by the Cronbach's Alpha for 20 variables and it is good (0.797) in our study. **KMO Test** (0.706) indicates factor analysis is appropriate with the data. **Bartlett's test of sphericity** describes that Significance level is less than 0.01 means variables are correlated within a construct. So, it proves the Convergent validity. The following table

highlights the rotated factor loading with their respective Variance explained (%). Here factor loading values are more than 0.5 and segregated 5 factors separately which indicates the evidence of convergent &

discriminate validity. 5 factors from Rotated Component Matrix describe total 79.384 % of the variance which is more than the recommended variance of 60%.

Table 3: Rotated Component Matrix^a

	Component				
	Government Initiatives	Marketing Initiatives	Competitive Edge with large scale Industry	Financial Support	Impact on Cottage Industry
q17	.936	.004	.013	.004	-.087
q19	.928	.029	.040	-.022	-.072
q18	.918	-.002	-.009	-.047	-.017
q16	.910	-.023	-.007	.094	.080
q20	.901	.066	.040	.038	.010
q10	.050	.881	.189	.026	-.187
q11	.041	.848	.155	-.006	-.106
q9	.012	.811	.145	.105	-.171
q12	-.051	.632	.104	.569	.068
q7	.040	.081	.902	.177	-.149
q5	.048	.087	.883	.245	-.182
q8	.012	.215	.844	.050	-.185
q6	-.034	.312	.804	.128	-.282
q14	.057	-.035	.204	.852	-.286
q13	.027	.035	.287	.809	-.200
q15	.002	.521	.042	.688	.030
q3	-.066	-.049	-.253	-.132	.811
q1	-.009	-.081	-.346	-.101	.702
q4	-.037	-.524	-.122	-.100	.646
q2	.044	-.496	-.118	-.197	.617
% of Variance	21.226	17.583	16.923	11.95	11.702
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 6 iterations.					

Table 4: Model Summary (Regression)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F-Value	Sig.(p value)
1	.642 ^a	.412	.402	.525	42.500	<.001^a

a. Predictors: (Constant), Government Initiatives, Marketing Initiatives, Competitive Edge with large scale Industry, Financial Support

Table 5: Model Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t-Value	Sig. (p-value)
		B	Std. Error	Beta		
1	(Constant)	5.511	.159		34.612	<.001*(S)
	Competitive Edge with large scale Industry	-.367	.059	-.347	-6.200	<.001*(S)
	Marketing Initiatives	-.310	.055	-.322	-5.678	<.001*(S)
	Financial Support	-.134	.056	-.138	-2.389	.018**(S)
	Government Initiatives	-.011	.039	-.014	-2.287	.045**(S)

a. Dependent Variable: Impact on Cottage Industry

*(S): Significant at 1% level

***(S): Significant at 5% level

Model Specification:

The Multiple regression equation is specified below:

$$Y (\text{Impact on Cottage Industry}) = 5.511 - 0.367 * (\text{Competitive Edge with Large Scale Industry}) - .310 * (\text{Marketing Initiatives}) - .134 * (\text{Financial Support}) - .011 * (\text{Government Initiatives})$$

Hypotheses Testing & Findings

H1: There is no significant influence of 'Competitive Edge with Large Scale Industry' on Rural Cottage Industry in West Bengal

From the t (-6.2) and P (<0.01) values, it is observed that 'Competitive Edge with large scale Industry' is significant explanatory factor

for Rural Cottage Industry in West Bengal. It has also negative coefficient (-0.367) in the regression. Thus, 'Competitive Edge with large scale Industry' negatively influences the Rural Cottage Industry in West Bengal. There are many new technologies and equipments about which entrepreneur are unaware. The rural cottage industries hold a tradition, while accepting new methods become bondage. Lack of skills and knowledge are other factors to restrict in adoption of modern technology. Indigenous product has a low demand in market due to the import of foreign product. Competitors are using modern techniques for gaining accuracy and variety, whereas due to the excess involvement of middle men the product price goes high and varieties of product are not available.

H2: There is no significant influence of 'Marketing Initiatives' on Rural Cottage Industry in West Bengal

From the t (-5.678) and P (<0.01) values, it is observed that 'Marketing Initiatives' is significant explanatory factor for Rural Cottage Industry in West Bengal. . It has also negative coefficient (-0.31) in the regression. Thus, 'Marketing Initiatives' negatively influences the Rural Cottage Industry in West Bengal. In rural areas, entrepreneur focuses on production and selling. Promotion is given least important due to the lack of financial support. Cost of advertisement is high so the artisan avoids this expense. Distributing channel helps to reach the end customers. Lack of good communication with the middlemen and unfair interruption results ineffective distribution channel.

H3: There is no significant influence of 'Financial Support' on Rural Cottage Industry in West Bengal

From the t (-2.389) and P (<0.05) values, it is observed that 'Financial Support' is significant explanatory factor for Rural Cottage Industry in West Bengal. . It has also negative coefficient (-0.134) in the regression. Thus, 'Financial Support' negatively influences the Rural Cottage Industry in West Bengal. Financial banks support in terms of getting loans but the artisans are discouraged by the long proceedings and demand of high security. With high rate of interest informal sources also provide credit facilities.

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H4: There is no significant influence of 'Government Initiatives' on Rural Cottage Industry in West Bengal

From the t (-2.287) and P (<0.05) values, it is observed that 'Government Initiatives' is significant explanatory factor for Rural Cottage Industry in West Bengal. . It has also negative coefficient (-0.011) in the regression. Thus, 'Government Initiatives' negatively influences the Rural Cottage Industry in West Bengal. Government has taken certain initiatives, but due to the procedure least are being implemented. As this sector is a labour intensive sector there is a possibility of high rate of employment, but due to the lack of growth of cottage industries, wage of the labours is low.

6. CONCLUSION

Cottage industries are one of the oldest industries after agriculture. This industry holds an essence of heritage and culture. It is considered as the labour intensive industry which generates employments, but with low wage rate due to various reasons. This study was done to identify the impact of the critical factors on the rural cottage industries. According to the study it has been found that variables like Marketing Initiatives, Competitive Edge with Large Scale Industry, Financial Support, Government Initiatives shows a negative impact on the rural cottage industries. The negative impact from each factor results in the restrictions in every emerging point of the rural cottage industries.

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