

ROLE, OPPORTUNITIES & CHALLENGES OF COTTAGE & SMALL SCALE INDUSTRIES IN ASSAM

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Abstract

Assam is one of the North-Eastern States in India among a union territories and 28 states. It is a developing state with 36 million population as of the year 2021 with an area of 78,43859 Sq. K.M and density of 397 people. In a backward state like Assam, Cottage & Small scale industries plays a significant role to create an industrial climate for the agents of economic development i.e. entrepreneurs to prove their efficiency to accelerate the pace of economic development of an area and of a nation. After independence of India, it was realised that Cottage and Small Scale Industries have occupied a dominant place in Indian economy, especially in Assam's economy where most of the areas (basically rural) occupied by a large section of population are yet to be developed industrially. The most important factor for economic development of a country is its industrialization. In the process of industrialization, emphasis is given to the three maor groups of industries, large scale industries, small-scale industries and cottage industries. We propose to study in this paper the problems and prospects of small scale and cottage industries in Assam, where large and medium scale industries are completely absent and whose development is vitally linked with various programmes and policies designed to remove poverty, unemployment and backwardness of the rural people.

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Introduction- Industrial groups are divided into three categories – small, medium and cottage industries. Small scale industries are again divided into two categories, micro and cottage. Small scale industries are associated with urban areas. Cottage industries, on the other hand, are involved in rural agriculture. In small scale industries, production is partially or entirely mechanized. Cottage industries, on the other hand, are handicraft based. In 1950, the Finance Commission of India defined small and cottage industries -as cottage industries which are wholly or partly supported by the savings of a family member through manual techniques. On the other hand, industrial groups which are run by ten to fifty hired laborers are called small scale industries. On the other hand, according to the Industries Act 1951, industrial groups employing 100 workers without using electricity and 50 workers using electricity are classified as small scale industries. The 1997 Industrial policy of Assam places greater emphasis on the development of cottage and small scale industries. Under such circumstances, there is full potential for the development of cottage and small scale industries in Assam. The Central Government has provided tax exemption to cottage and small scale industries in backward states like Assam on the basis of fiscal

policy. This has also created an environment for the expansion of such industries in the state. The Union Budget of 1995-96 established the North East Development Finance Limited (NDFI) with the objective of infrastructure and modernization of cottage and small scale industries. This has increased the potential for the development of cottage and small scale industries in the state. With the limited economic infrastructure, capital supply and organizational skills of Assam, the development of cottage and small scale industries is easier than of large scale industries. The small scale industries in Assam are- 1. Furniture and equipment related to the tea industry 2. Plywood 3. Construction materials 4. Chemical products 5. Small Textile Factories 6. Printing presses 7. Equipment related to transportation 8. Small Bilati Clay Factories 9. Wood Banaanas etc. and the cottage industries in Assam are- 1. Weaving 2. Brass and brass craftsmanship 3. Bamboo and cane craftsmanship 4. Gold, Silver and ivory carvings 5. Production of jaggery 6. Production of agricultural implements 7. Pottery 8. The art of carving etc.

OBJECTIVES-

- To discuss the role of Small and cottage industries.
- To find out the problem of small scale industries.
- To find prospects of small scale and cottage industries.
- To find out market feasibility of small and cottage industries.
- To suggest suitable measures for the development of small scale and cottage industries in Assam.

Methodology-

The method of study of this paper is descriptive. Various books, journal, seminar papers and google search engine is also used for the study.

Role of Small and Cottage Industries –

Cottage and small scale industries have played an important role in the economy of Assam since ancient times. Small and cottage industries are important in the Indian economy from various perspectives. Despite having to compete with large industry, cottage and small scale industries have developed at a significant rate in post independence Assam. In the modern technological age when most of the old cottage industries have come out-dated or have lost their economic viability, new ones have emerged to give even full employment to those who go in for them. Cottage and small scale industries play a very important role in Assam.

- **Good employment potential :** Cottage and small scale 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 1995, the number of people employed by small and cottage industries was 84 thousand.
- **Platform for entrepreneurs :** Apart from making economics 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 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.
- **Save Foreign Exchange :** Cottage industries are skill light and require 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.

- **Rrdue 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.
- **Environmental Friendly:** The cottage industries are largely free from pollution problems and are environmental friendly which is very important due to the geographical location of Assam. Large scale industries have already contributed so environmental degradation beyond. The future of mankind now lies with cottage industries and only least with large scale ones.

Potential of Small and Cottage Industries in the Economy of Assam :

- Cottage and Small scale industries create more employment than large scale industries. This is because most of the cottage and small scale industries are labour-based in their production. Its development increases the demand of labour.
- Experts have shown that cottage and small scale industries can be managed more efficiently than large scale industries.
- Cottage and small scale industries contribute to equitable distribution of income and wealth.
- Such industries are not concentrated in one place, but are decentralized in nature, Therefore, the development of cottage and small scale industries helps to overcome regional inequities.
- Cottage and small scale industries have higher capital and industry mobility than large scale industries

PROBLEMS OF COTTAGE AND SMALL INDUSTRIES OF ASSAM-

Although the heritage of small and cottage industries in Assam is very rich but these industries are handicapped with innumerable difficulties. Some of these important difficulties and problems faced by cottage and small industries are enumerated below-

Firstly, ignorance, illiteracy and conservative attitudes of the people connected with these industries are standing in the way of modernisation and expansion of cottage and small scale industries in Assam. Due to ignorance these industries are using outdated tools and old methods of production and thus could not keep pace with other sectors of the economy. They fail to adopt newer and scientific methods of production and thus produce old designed traditional goods. This is no doubt a big problem for this industry.

Secondly, dearth of capital is the next problem of the cottage and small scale industries in the state. Rural artisans and craftsmen are very poor and thus they depend on village money lenders to meet their financial needs. As the village money lenders charge high rates of interests which raises the cost of production of these industries. Necessary funds are not made available to the rural artisans and craftsmen from the commercial banks and other financial institutions like Assam Financial Corporation. Thus for the want of finance, these industries cannot modernise their production process.

Thirdly, scarcity of raw materials is the next major problem faced by cottage and small scale industries in the state. As they are facing the difficulty of getting regular supply of raw materials at a reasonable price, this creates a problem for smooth functioning of these industries. This retards the growth and expansion of these industries.

Fourthly, absence of proper training facilities to the artisans is the next hurdle which these industries are facing. Thus in the absence of proper training, the artisans are still following outdated methods and produce goods of old design and styles.

Fifthly, lack of proper marketing facility stands in the way of expansion of these small and cottage industries. Due to this absence of proper marketing arrangements these industries sometimes go for distress sell of their products to the private dealers at a poor price.

Lastly, the cottage and small industries of the state are facing increasing competition from the large scale organised industries. Due to this cost of structure, poor quality and design, they cannot stand in the competition with the organised industries and thus their very existence has been threatened.

Despite these problems the small scale and cottage industrial units continue to survive due to the efforts of the owners but remain limited in their progress mainly because of the non application of right corporate approach and team work.

REMEDIAL MEASURES TO SOLVE THE PROBLEMS OF COTTAGE AND SMALL SCALE INDUSTRIES-

The cottage and small industries of the state have been playing an important role in building the state's economy. Even with the growth of large and medium industries these small industries are still maintaining their importance, providing a good volume of income and employment in the rural areas. As these industries are suffering from many loopholes, to plug these loopholes following remedial measures are important-

Firstly, efforts be made for modernisation and expansion of these industries. Workers engaged in these industries should be acquainted with modern scientific technique and methods of production. Steps be taken to provide improved tools and implements at fair prices.

Secondly, commercial bank and other financial institutions should come forward with various schemes of short term and long term credit for the cottage and small industries in the state. Moreover, credit should be made available at cheaper rates, these will help in other expansion and diversification of these industries in the state.

Thirdly, proper agencies and scheme should be developed for supplying raw materials to small and cottage industries at convenient time and rates.

Fourthly, necessary efforts should be made to train workers of these industries. Thus arrangements are to be made for setting up training institutes at different places of the state for the said purpose.

Fifthly, proper marketing arrangements should be developed in different parts of state for the smooth sale of the product of these industries. This arrangement will save the workers and artisans from the clutches of middleman.

Sixthly, more "common facility service centre" should be developed in the state in and around these small and cottage industries from where these industries would get all the necessary common services in time of their need.

Lastly, Industry Department of the state should chalk out plan for the modernisation and expansion of these small and cottage industries and involves all these industries into such plan.

Future Prospect of Cottage and Small Scale Industries in Assam in view of the current economics reforms

Assam is endowed with large volume of different types of natural resources, forest resources, water resources etc. However, the state is yet to experience industrial development on a scale achieved by many states in the country. The current economic reforms is introduced in India in the form of industrial policy reforms, fiscal policy reforms, monetary policy reforms, foreign policy reforms, foreign trade reforms etc. with the sole objectives to bring a new element of dynamism in the process of economic growth of the country. Economic reforms has broadly widened this scope of industrialisation in the country.

Assam being a industrially backward state, having a huge potential for industrial development, can be able to make much headway in the path of industrialisation under the current process of economic reforms. In this respect, small scale industries have a special role to play in the industrial development of the state. The new Small Sector Industrial Policy, 1991 introduced by the Central Government has made ample provision to boost the growth of small scale industries. Moreover, keeping in conformity with the Industrial policy of the centre, the state government had also formulated its industrial Policy, 1991, where it made ample provision to ensure balanced regional development through rapid promotion of a host of Khadi and village industry, cottage industry, tiny, small and ancillary industries through out the state on the basis of the techno economic potential surveys. But unfortunately, the Industrial Policy, 1991 could not create much impact development of industrial sector of the state. Thus in order to embark upon the high road of liberalisation, privatisation and globalisation, the state government introduced its New Policy, 1997 with a great promise for adopting a smooth path for rapid industrialisation in the state. Thus under the new industrial policies introduced by both central and the state government, the future prospect of small scale industries in Assam is quite bright.

Secondly, under the fiscal policy reforms, the Central government has made provision for either tax holiday or tax concession to the newly developed industries in a backward state like Assam. Such tax relief has brightened the scope for the promotion and development of small scale industries in an industrially backward state like Assam.

Thirdly, the central government in its 1995-96 budget has made provision for setting up the North Eastern Development Finance Corporation Ltd. (NEDFi) and accordingly, on 23rd February, 1996, the NEDFi was set up with this main object to provide finance and other facilities for the promotion, expansion and modernisation of industrial and infrastructural project in the North eastern region. NEDFi has also made special provision for financial support, data bank etc. for the small scale industries of the state, which has already brighten the prospect of the development of small scale industries in Assam. The NEDFi will concentrate on downstream petrochemical units, plantations, sericulture, cane and bamboo projects.

Thus, in view of the current economic reforms, it is observed that the prospect of small scale industries in Assam is quite bright. But the ultimate success of economic reforms in promoting small scale industries in the state depends finally on the improvement of law and order situation of the state which will simply create suitable environment conducive for industrial development of the state. Moreover, in order to promote different types of small scale industries based on local resources, local entrepreneurs should come forward and participate actively in the industrialisation process of the state.

Considering the current situation prevailing in the state, it can be finally observed that although the current economic reforms has already created a favourable impact on the industrialisation process of some of the industrially developed states but it could not create any considerable impact on the process of industrialisation in Assam. But considering the rich resource base, it can be observed that the prospect of industries, especially of small scale industries, is quite bright, provided an investment friendly climate is created in the state.

Conclusion- Cottage and small scale industries have, therefore many positive merits. Large Scale industries however seem to be irresistible. We should try to make these two forms of industry grow side by side so that the defects of each may be set off by the advantages of the other. If the small scale sector is to act as an agent of decentralization in rural and sub-urban areas and improving the transport facilities, raw materials facilities, providing more financial help in the form of loans by establishing more co-operative banks and also opening the branches of various other nationalized banks which could meet both short term and long term credit needs of the existing and also the potential industries. Package of incentives and the inherent talents of Assam in the form of a big push are required to move the economy on industrialization path. A gradual approach is necessary, apart from the government, the capitalist class and the educated youth must come forward with a new vision and energy to break the

vicious circle of non-industrialization in the state.

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