CHAPTER - II

Classification of cottage and other village industries

Characteristics of cottage and other village industries

Impact of khadi and village industries

Capital starvation for large scale industries and mobilisation of capital and entrepreneurial skill in rural areas

Basis of development of cottage and village industries

Importance of cottage and village industries

Some important village industries
"By the time India gained independence the country's industry was dominated by the lower forms of productive ... Historically two groups of pre-factory, small scale industrial production have developed in India. The first group of industries located in the towns and cities serving the needs of the feudal lords their entourage and armies and supplying the external market was largely ruined during the British Colonial rule... The second group was presented by artisans production maintained close ties with agriculture within the framework of the village community. The links between artisan production and agriculture in the colonial period were disrupted unevenly. At the same time, the continued existence of backward relations of production within agriculture, the key branch of the India Economy bolstered the traditional character of the reproduction of the means of production".

"The main objectives of the rural industrial estate are promotion of traditional as well as modern small industries in small towns and rural areas through assistance, guidance and provision of facilities, promotion of decentralisation by preventing excessive concentration of enterprises in large metropolitan areas, encouragement of industries in depressed and backward regions to provide new employment opportunities and utilisation of local raw materials".  

Cottage and village industries are those in which manufacture is carried on by the owner himself with the help of the members of his family, dependents, relations and with a few wage earners and the total number of all such helpers does not exceed nine provided that the work is done in the home of the cottage worker or in some small karkana".  

"We are definitely of the opinion that the only way to fight the monster of unemployment is the development of cottage and small scale industries. The problem is to device the best means of providing employment and occupation to the vast rural  

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population which is to remain idle during the off season of agriculture". 4

The Industrial Policy Resolution of 1948 stated in respect of cottage and village industries:

"Cottage and Small Scale Industries have a very important role in the national economy offering as they do scope for individual village or co-operative enterprise... The healthy expansion of cottage and small scale industries depend upon a number of factors and where necessary safeguards against intensive competition by large scale manufacturer as well as on the education of the worker in the use of the best available technique".

The Industrial Policy Resolution of 1956 stated:

"In relation to some of the problems that need urgent solution they offer some distinct advantages. They provide immediate large scale employment, they offer a method of ensuring more equitable distribution of the national income and they facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized. Some of the problems of the unplanned urbanization tends to create will be

avoided by the establishment of small centres of industrial production all over the country".

The Industrial Policy Statement of 1977 stated:

"The main thrust of the new Industrial Policy will be on effective promotion of cottage and small scale industries widely dispersed in rural areas and small towns. It is the policy of the Government that whatever can be produced by small and cottage industries must only be so produced".

The Industrial Policy statement of 1980 stated:

"The Government is determined to promote such form of industrialisation in the country as can generate economic viability in the villages... Handloom, handicrafts, khadi and village industries will receive greater attention to achieve a faster rate of growth in the villages".

Village industries are characterised as artisan-based production activities. These activities exist in today's India as a carry over from the past. Their existence as a carry over from the past signified the retention of some of the characteristics of the earlier modes of production but in the form of disjunction from the basic structure of their inter-connectedness.
that they had with agriculture and peasant societies in the past. They possess a disjuncted form of structural relations with agriculture and peasant societies because of two reasons.

Firstly, village industries are not only disjuncted from the inner structure of their inter-connectedness with agriculture and peasant societies but are placed under a constant process of disintegration at the village level.

Secondly, village industries are technologically, organisationally and economically segmented from urban producers and modern industries which are organised formal and localised in major cities or urban centres. Given these disjunctive and segmentary characteristics of village industries the articulation of their development strategies of planning simply retains them as some of the characteristics of the old modes of production in rural India. Moreover, the structure of dependency created and retained make village industries and artisans captive of urban producers, traders, merchants on the one hand and on the other it makes captive of rich peasants local traders and merchants at the village level. As a consequence they are subject to decline today despite the efforts to retain them and their
producers, i.e., artisans are subject to pauperisation in the country.

To develop the cottage and village industries, organisationally a major step was the establishment of the following all India Boards to advise and assist in the formulation of programmes of development for the various cottage and village industries.

1. All India Handloom Board
2. Khadi and Village Industries Commission
3. All India Handicrafts Board
4. Small Scale Industries Board
5. Coir Board
6. Central Silk Board
7. Coffee Board
8. Tea Board
9. Spices Board
10. Cardamom Board

The Khadi and Village Industries Commission: (KVIC)

The Khadi and village industries commission was established in the year 1957.
This commission has constituted a Co-operative Advisory Committee which advises the commission regarding all matters pertaining to the organisation and financing of co-operatives for village industries falling within its purview. The industrial co-operatives under the commission constitute about 55% of the total Industrial co-operatives other than those of weavers. The Commission has been laying emphasis on the revival of stagnant and dormant societies.

Promotion and encouragement of co-operative effort for the development of Khadi and Village Industries has been important function of the KVIC.

CLASSIFICATION OF COTTAGE AND OTHER VILLAGE INDUSTRIES:

The Cottage and other Village Industries may be classified into the following categories.

a) Part-time rural cottage industries which cover all such industries which provide supplementary occupation to agriculturists and which are mostly agro industrial in nature as classified below:

1. Processing industries: Processing of cereals and pulses, oil extraction, cotton ginning, coffee grinding, groundnut decortication, rice hulling etc.
2. Agro based industries: Dairying, poultry, piggery bee-keeping, sheep and goat rearing, pisciculture, sericulture etc.

3. Fruit and vegetable preservation and utilisation: Bottling and canning of processed fruits, dehydration of peas, pickles, sauce, soaps, sharbat making.

4. Handloom weaving, hosiery and knitting.

5. Zari, palmgur, jaggery, khandasari making, flour grinding, bakeries and confectionaries.

6. Basket and rope-making, cane and wicker work, etc.

b) Whole time rural industries comprise mostly of village crafts as detailed below:

1. Pottery, clay-toys, making of bricks and tiles, kitchen wares and earthen utensils, limestone making.

2. Saw milling wool and carpentry, blacksmithy.

3. Leather flaying, curing, tanning of hides and skins, making of foot wear, collection and processing of bristles, animal casings, utilisation of horns, hoof and bones, cattle carcasses etc.
C) Urban cottage industries generally provide whole time occupation to the workers engaged therein as detailed below.

1. Gold and silver ornament making, brass and metal utensil making, trunk and suit case, metal containers, galvanized buckets.

2. Wool and ivory carving, card board boxes, pencil making, saw-milling, furniture and joinery works.

3. Fabric making, tailoring and readymade garments, thread manufacture hosiery and knitting.

4. Toy making, sports goods, stationery goods and paper.

5. Aerated water and soft drinks.

CHARACTERISTICS OF COTTAGE AND OTHER VILLAGE INDUSTRIES:

1. Such industries are decentralised and scattered all over the country and carried on by different people.

2. They are carried on by handicraftsmen in their own homes at their own risk and for their benefit.

3. They are carried on either with the help of the members of the family, or with the hired labour whose number does not usually exceed ten with or without power.
4. Normally the amount of capital invested does not fall below Rs. 5,000/–

5. The necessary skill for carrying on the crafts is handed down from father to son or from the master to the apprentice.

6. The raw material is usually available near at hand while the tools needed are very few and simple and in most cases are manufactured locally.

7. Physical labour is mostly used. In some cases machine power is used on small scale with no division of labour.

8. The largest section of the cottage industry thrives on the local markets though some of them cater now to the needs of the foreign markets also.

9. They absorb only a part of the time of a worker.

IMPACT OF KHADI AND VILLAGE INDUSTRIES.

The cottage and other village industries play a significant role in the national economy. The cottage and other village industries sector provide employment to the rural masses which is more than five times the employment in the large and medium industries sector. The twenty-one different cottage and
village industries provide partial relief to village artisans and underemployed women workers in the villages.

How the cottage and village industries have developed in the Indian Economy is shown by the three major vicious circles.

Market imperfections:

Under developed resources

\[ \text{Backward people} \]

Capital deficiency

Low Investment

\[ \text{Low saving} \]

Low Demand

Low real income

Low productivity

The Genesis and development of cottage and village industries can be emphasised on the following grounds.

CAPITAL STARVATION FOR LARGE SCALE INDUSTRIES AND MOBILISATION OF CAPITAL AND ENTREPRENEURIAL SKILL IN RURAL AREAS

India is a capital starved country. It cannot afford large scale industries which involve great investment outlays in
this connection village and other Cottage Industries offer a solution for the creation of large scale employment at a cost which the country can afford. It may be pointed out that the cost per person for self-employment amounts to Rs.1000/- on an average. In the small scale sector it varies from Rs.5000/- to Rs.8000/- per person. The employment pattern must therefore be on a scale which can throw employment opportunities in agro-based industries in the rural sector.

Cottage and village industries are at a distinct advantage as far as mobilisation of capital and entrepreneurial skill are concerned. The cottage and other village industries can effectively utilize the entrepreneurs because these industries are distributed over the entire length and breadth of the country. A large number of other resources spread over the country can be put to an effective use by the cottage and village industries.

SERIOUS UNEMPLOYMENT AND UNDEREMPLOYMENT AND EMPLOYMENT GENERATION

Agriculture is the main stay for more than 70% of the people. Yet it has by and large, been a Cinderella of economic planning. Factors like high pressure of population on land, illiteracy and rural indebtedness, typical pattern of village life,
acute unemployment and under-employment etc. have almost paralysed the rural economy. According the NSS Report there were nearly forty eight million persons who worked with less than full intensity. Today the position is worse. It has been estimated that the number of under-employed working at half or less than a quarter of their normal time is about 50 millions. Hence, rural population requires a second string to their bow in the form of cottage and village industries.

Moreover the rapid economic growth requires the generation of a large economic surplus, in all fields of productive activity. The advantage of large industries is that they are generally capital intensive whereas cottage and village industries are generally labour intensive. They have a substantially higher employment potential since the capital is scarce and labour is abundant in India. The employment argument is the strongest argument in support of the cottage industries.

According to P.C.Mahalanobis, "In view of the meagreness of capital resources, there is no possibility in the short run for creating much employment through the factory industries... Now consider the household or cottage industries."
They require very little capital with any given investment, employment possibilities would be ten or fifteen or even twenty times greater in comparison with corresponding factory industries".

POVERTY OF THE RURAL MASSES:

Rural areas are characterised by the poverty of its people, a wide gap between a developed and an undeveloped area and rapidly rising population and low standard of living. The study of the National Council of Applied Economic Research on economic inequalities and concentration of wealth reveals that 1% of the population continued to enjoy 9% of the national income while 5% of the population belonging to the lowest ladder having nothing to claim. The consumption standards of 60% of people in India are below the national average. The per capita consumption standards of 30% of the people are below Rs.15/- per month and that of 20% are even less than Rs.12/- per month. Thus, poverty can be done away with, through the development of cottage and village industries, in due course.

EQUITABLE DISTRIBUTION OF NATIONAL INCOME:

The Cottage and Small Scale Industries ensure a more equitable distribution of national income and wealth. The
equitable distribution of national income is accomplished on account of the two considerations.

a. Ownership of cottage industries is more widespread.

b. They possess a much larger employment potential.

Cottage and village industries are essential to enable a vast majority of people to share the fruits of economic development.

REGIONAL DISPERSAL OF INDUSTRIES:

Cottage and village industries are mostly established to satisfy local demand and they can be dispersed all over the states very easily. They can also effect a qualitative change in the economy of state. These industries are widely dispersed due to excessive ruralisation, availability of cheap labour, and low investment outlays.

Fiscal commission (1945-50) has rightly stated, that "it is the relative strength of modernised cottage and village industries that account for the large place that these occupy in the economy of even such industrially advanced countries of the world as USA, UK, Germany and Japan".
CONTRIBUTION TO EXPORTS:

With the establishment of large number of cottage and village industries like sericulture, coir, handicrafts, handlooms, etc., the contribution of this sector in export earnings has increased by leaps and bounds. The exports to foreign countries consist of silk fabrics, coir products, handicrafts, including precious, semiprecious, and synthetic stones, Jewellery and other art crafts, such as art metalware and hand printed textiles, leather products, woollen garments etc.

HEAVY RURAL EXODUS RESULTING IN STAGNATION IN RURAL AREAS

India is passing through an economic phase in which there are excessive ruralization and deindustrialisation... or there are excessive urbanisation and decline of village community. Such a phase of economic transition from rural community to urban community as reflected through the movement of labour from agriculture has become a general phenomenon. If people are asked to explain why they left agriculture they usually give a variety of reasons... The reasons actually given include better pay, shorter hours of work, better educational and transport facilities, mechanisation, the impossibility of supporting a family
on a very small holding, the difficulty of rising in the social scale or of gaining access to ownership or simply the shortage of rural housing. The rush to cities from the countryside reduces agricultural output and leads to economic stagnation in the rural areas; in towns it floods the labour market, depresses wages, increases the number of unemployed and leads to such varied problems as the creation of slums, the break up of the family juvenile delinquency.

If unchecked, these movements could lead to unhealthy and problem-oriented urban development and stagnant self-retarding rural development.

Therefore, the rural sector a source of migration and an underprivileged section of the economy needs to be revitalised through a structural change without affecting much the social mobility of rural working labour force. The villages have to take on a new look and open up new vistas of development.

BASIS OF DEVELOPMENT OF COTTAGE AND VILLAGE INDUSTRIES:

The cottage and village industries can be conveniently developed in different parts of the country. They consist of the following:
INDUSTRIES SUITABLE FOR WEST MOIST REGIONS:

The regions lie at the foot of the Himalayas and the Western Ghats enjoy a heavy rainfall. Most of them are ravine tracts, partly covered with forests which yield valuable woods, bamboos, herbs and grasses of commercial importance. Therefore, the most paying industries which can be developed on scientific lines are fishing, toddy drawing, basket weaving, rope making, matting, weaving of palm leaves, furniture making etc.

INDUSTRIES SUITABLE FOR DRY AND ARID REGIONS:

The dry regions of central Ganges - Jumana, Doab, Western Districts of U.P. Eastern Rajasthan, Madhya Pradesh and Deccan which can best be devoted to flower gardening and perfume manufacturing, lac culture, pan cultivation, tanning, horn work, glue and gut, making of lac, bangles and toys. If marketing facilities are available almost all districts near hill stations and the suburbs of big towns can grow into fowl breeding centres and provide employment to a large number of agricultural labourers and rural artisans.

SEASONAL INDUSTRIES:

The seasonal character of the agricultural operations
has resulted in an uneven distribution of labour power. It is therefore necessary that such rural industries should be introduced as would adjust with seasonal feastings of the cultivators. They are particularly two periods when agricultural labour is completely out of work i.e., from middle of April to the middle of July when the crop is growing. At present the summer period of idleness is completely wasted while during the latter period there is complete migration from villages to the industrial areas and mining centres. The only way of checking this pendulous labour force and of stabilizing agriculture is by introducing seasonal industries which will not only absorb the surplus labour but will serve to increase the purchasing power of the rural masses.

During summer when outdoor work of any kind is difficult and even indoor work requires much physical exertion simple industries like rope-making, basket making, cane work, and carpet making can be easily taken up. After rabi sowing there is favourable season for collecting honey, toddy drawing, ghee processing, bangles and toy making and cocoon rearing.

DEVELOPMENT OF INDIGENOUS INDUSTRIES:

There exist certain industries which require a short
term training and specialisation eg. wood carving and inlaying, 
brassware and metal work. Dyeing and calico printing, carpet 
weaving, paper and soap making, button making, toilet requisite 
making, lock and cutlery and leather curing, tanning and 
processing work and shoe making etc. There is an unlimited 
scope for the development of indigenous industries and with a 
little initiative and assistance the idle and under-employed 
agricultural worker can find permanent employment and earn a 
comparatively large and stable income.

DEVELOPMENT OF PROCESSING INDUSTRIES:

A large number of agricultural products, some of which 
are mostly perishable, need condensing, canning, preserving, 
dehydrating, drying, smoking, and similar other process to make 
them available throughout the year. To name a few, hulling of 
paddy into rice, grinding of wheat and other grains to atta, 
pulses into dals, sugarcane into gur, khandsari and sugar, oil 
seeds into oil, decortication of groundnuts. ginning, pressing, 
and baling of cotton, pressing and baling of jute, bottling of fruit 
juices, preparation of achar, juices, jams and jellies, dehydration 
of peas, pineapple, processing, citrus oil, pectin etc.
Besides, in the rice producing areas of East and South there is further possibility of setting up of industries for rice milling, rice bran oil, straw board, soft board, cardboard, mattings, etc. Likewise in the sugarcane producing areas, more areas may be developed manufacturing units for molasses, alcohol, methylated spirit, insulating material, plastic and sugar syrups.

IMPORTANCE OF COTTAGE AND VILLAGE INDUSTRIES:

The importance of cottage and village industries for improving the economic life of the large masses of the rural people arises from various industrial advantages. They are:

1. Employment in the rural setting of the workers' own place of habitation combined with numerous physical, moral, material and other benefits that go with such employment.
2. Finding means of livelihood for the largest number of persons.
3. Offering opportunities for profitable employment and development of inherent talent and aptitude in occupation which should be congenial to them.
4. The opportunities of following more than one vocation for means of livelihood particularly occupations for the cultivating classes.
5. The comparatively lower cost of living for a similar standard in rural areas than in urban areas.

6. The increased employment in rural areas leading to spreading over of purchasing power which is confined to urban areas at present.

7. They effect decentralisation of industries by creating industrial estates.

SOME IMPORTANT VILLAGE INDUSTRIES:

Promotion and encouragement of co-operative efforts for the development of khadi and other village industries has been an important function of the khadi and village industries commission.

1. KHADI:

It consists of the production of all varieties of cloth including woollen and silk.

2. CUR AND KHANDASARI:

The KVIC has helped the industry by introducing and supplying improved techniques and replacement of traditional
This commission has made arrangement for training the cane-growers in improved techniques of gur production and by constructing godowns for storing sugar cane and gur. It provides seasonal employment to rural labourers.

3. PALMGUR INDUSTRY:

Palmgur Industries constitute another important group of industrial co-operatives. There are about eighty million palm trees in the country of which 80% are palmyrah. But of this number only about fifty million are exploited. The industry gives direct employment and indirect employment to rural people in our country.

4. PROCESSING OF CEREALS AND PULSES:

Hand pounding of paddy is an old industry. Owing to mechanisation the production of hand pounded rice has been reduced from 75% to 40%. The industry provides full-time employment and part-time employment to many villagers. This industry provides full employment to about 17000 people and part-time employment to about 45000 people.

5. VILLAGE OIL INDUSTRY:

A number of oil seeds are crushed both for edible
and non-edible purposes. The development programme of the commission consists of the schemes of financial help to the oilmen for purchase of oilseeds, supply of improved ghany and help in the sale of oil through registered selling agencies and the organisation of co-operative societies. It provides full employment to about 45000 people and part time employment to about 21000 people throughout 5000 co-operatives which run about 45000 ghanis.

6. NON-EDIBLE OIL AND SOAP:

Important non-edible oil seeds available in the country are neem, mahua, karanja, pilu, pisa, maroti, ratanjoti, kamla and kokum. This industry provides seasonal employment to the landless labourers in the rural area to about 95000 people.

7. HAND MADE PAPER:

This type of paper is being made by city wastes like rags, clothes, paper and rural-wastes like plant stalks, paddy straw, and bagasses. With the improvements in techniques of rag cutting, pulp beating, calendering and glazing and the use of mechanically driven beaters, new types of papers such as stencil, tissue, decorative, packing and better varieties of paper
are produced. It provides employment to about 7000 people.

8. BEE KEEPING:

This industry is mostly developed in South India. The commission covers about 17,000 villages where there are over 2,50,000 colonies. The number of bee keepers is about 1,50,000. The production of honey per annum amounted to 30,00,000 kgs.

9. VILLAGE POTTERY:

The industry gives employment to about five lakh families of potters for nearly eight months in a year. The commission adopts development programmes consisting of training and research, financial assistance, service facilities, provision of common workshed, brick kilns, etc.

10. SERICULTURE:

This industry is developed mostly in Karnataka State which produces about 50% of the total production followed by West Bengal, Assam, Kashmir, Madya Pradesh and Bihar and some parts of Tamil Nadu. Sericulture industry provided part time employment to the rural people. The central silk Board looks after the development of silk and sericulture industry. The
number of persons to whom sericulture provided sericulture part-time employment to about 4.5 million people.

11. COIR INDUSTRY:

This industry is essentially export oriented and is mainly organised on a cottage basis though some factories employ wooden looms worked by manual labour. It is found mostly concentrated in Kerala. It provides employment to over ten lakh persons. The coir board looks after the development of the industry.

12. HANDICRAFTS:

These industries include precious, semi-precious and synthetic stones, jewellery, carpets, druggets and other art crafts, such as art metalware and hand printed textiles. This industry provides employment to the village artisans and landless labourers. The All India Handicrafts Board looks after the improvement in production and marketing of handicrafts.

The plan outlays for the development of Village and Small Scale Industries are shown in Table 2.1.
## TABLE - 2.1

THE PLAN OUTLAYS OF VILLAGE & SMALL SCALE INDUSTRIES (in crs.)

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<tbody>
<tr>
<td>2. Powerlooms</td>
<td>-</td>
<td>2.0</td>
<td>1.52</td>
<td>0.47</td>
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<td>3.25</td>
<td>0.65</td>
<td>4.15</td>
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<td>3. Khadi &amp; Village Industries</td>
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<td>7.66</td>
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<td>0.95</td>
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<td>8. Industrial Estates</td>
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<td>240.76</td>
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<td>535.03</td>
<td>289.48</td>
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**SOURCE:**
1. Deb.K. Rural Development in India, P.159.
This table clearly indicates the total sum spent for the development of cottage and small scale industries from first plan period to seventh plan period and two annual plans.

Village and Small Industries are broadly grouped under two heads: Traditional industries and modern industries. It may be noted from Table 2.2.
### TABLE - 2.2

**TARGETS OF PRODUCTION, EMPLOYMENT & EXPORTS FOR THE VII PLAN VILLAGE & SMALL SCALE INDUSTRIES**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Output (Rs. in crores)</th>
<th>Employment (lakh persons)</th>
<th>Exports (Rs. in crores)</th>
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<tr>
<td><strong>A. TRADITION INDUSTRIES:</strong></td>
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<tr>
<td>1. Khadi</td>
<td>170.00</td>
<td>300.00</td>
<td>14.6</td>
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<td>2. Village Industries</td>
<td>749.00</td>
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<td>4. Sericulture</td>
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<td>5. Handicrafts</td>
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<td>5400.00</td>
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<td>6. Coir</td>
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<td><strong>B. MODERN INDUSTRIES:</strong></td>
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<td>7. Smallscale Industries</td>
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<td>8. Powerlooms</td>
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<td><strong>SUB-TOTAL (B)</strong></td>
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<td>87240.00</td>
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<td><strong>C. OTHERS:</strong></td>
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<tr>
<td><strong>TOTAL A + B + C</strong></td>
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<td>100100.00</td>
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</tbody>
</table>

Table 2.2 clearly indicates that the data of output of traditional industries will rise from Rs.7726 crores to Rs.11760 crores - an increase of 52% during seventh plan. Employment will increase from 165 lakh to 217lakhs - an increase of 32%. Recently handlooms and handicrafts have emerged as the principal foreign exchange earners and traditional village industries are expected to earn Rs.3304 crores by way of foreign exchange in 1989 as against Rs.2208 crores in 1984-85.