Chapter 9

SPECIFIC PROBLEMS OF COTTAGE AND SMALL SCALE INDUSTRIES

The organisational structure of the industries under case study and their employment as well as income features have been analysed in the last two chapters. Some of their problems like outdated technique involving hard labour and drudgery, seasonality of demand, dearth of working capital and absence of working channels, skewness of income distribution among the tiny entrepreneurs themselves as well as among the entrepreneurs and their workers and such other aspects encountered in the analysis have already been referred to in the previous chapters.

In this chapter an attempt is made to highlight only the specific problems reported by the industries. The problems can, no doubt, be covered under some broad headings like raw materials, marketing, finance etc., but separate treatment of the main problems of each industry as done below, seems convenient.

1. Problems of Selected Industries

   (1) Handloom Industry

       (A) Silk Weaving: The handlooms found in the case studies in the Kurnool district (sample centres) are engaged in weaving three different varieties of fabrics, viz., Pat (Mulberry) and Muga silk concentrated in Sulkoshi, Kri silk mainly woven in Rampur and Cotton fabrics woven in other rural
area. The growth and expansion of Pat and Muga weaving from a small pocket known as Tantipara in Swalkoshi inhabited by Saud/Baishya (Benia or trader) caste till the thirties of the present century to the entire area covering all the communities like the Brahmins, Kumars (Potters), Kalartas (Fishermen) and goldsmiths indicate apparently a flourishing condition of the industry; but the reality is somewhat different. No doubt, income from silk weaving is comparatively higher than that of other traditional occupations and this is why the people have switched over to the former. But while the dependent weavers under the putting out system constituting 37 p.c. of the total units and the wage weavers in the factories of the master weavers eke out a living on a meagre annual income of about Rs. 2800 and Rs. 2000 respectively (Table 7.1), the entrepreneurial income of about Rs. 2200 (excluding imputed wages for family labour) of the small independent weavers constituting 40 p.c. of the total establishments (Table 8.4) forms about 1/14th of the combined average annual income of Rs. 30,000 of the medium and large factory owners due mainly to the defects of the marketing system and dearth of working capital.

As has been explained in the last chapter income from weaving simple fabrics like plain Thams or simple pairs of Mekhela and Chadar is less than that of weaving costly fabrics well decorated with patterns of gold threads or costly cotton art threads requiring an annual working capital
investment ranging from Rs. 10,000 to Rs. 16,000 per loom which the poor independent weaver cannot afford. At the same time the pecuniary conditions of the poor weaver compel him to sell his products as soon as out of the loom for meeting his day-to-day family consumption needs and to purchase raw materials. This weak sustaining position of the poor is exploited by the petty traders and big local dealers including the co-operatives who offer him a price 20 to 25 p.c. lower than at which they purchase from the master weavers. It may also be recalled that the master weavers sell 90 p.c. of their products on credit varying from 6 to 12 months to the big dealers and co-operatives at a high premium covering the credit risk. The small independent weaver, on the other hand, wants cash and therefore is bound to push the products at a low price; what is more, during the slack season from May to September when demand for fabrics falls, they sell their products in distress below cost of production. These factors have their impact on incentive and enterprise and the reasons of the dependency of looms under the putting out system are to be found in them.

It is also worthwhile noting that all the raw materials of the looms, viz., mulberry silk yarn, gold and cotton art threads are imported from outside the state, yarn from Bangalore and threads from Surat while Muga cocoons are brought from Upper Assam and the Garo hills. Although the supply of Pat yarn and art threads does not pose a problem, sporadic price rise of yarn due to artificial short supply
during the peak season (Sualkuchi consumes about 48000 kg Pat yarn as against 5.5 thousand Kg produced in the State) brings in loss to the weavers for their failure to raise proportionately the prices of their products.

Decline of Muga cocoon production in the State, due, on the one side, to felling of the feeding trees (Son or Machilus Odo ratissima and Soalu or Litseaes polyantha) for land reclamation and on the other, to hard labour and hazardous weather risk involved in rearing outdoor, has greatly affected the Muga reelers and weavers of Sualkuchi. * As a result the number of Muga looms had fallen (converted to Pat looms) by nearly 61 p.c. from 806 in 1970 to 318 in 1980.

Sale of yarn and art threads by government agencies (the ARTFED does it) does not help improving the situation, for as they purchase the wares from private dealers their trade is also subject to the same rate of price fluctuations. Therefore stepping up the production of Pat and Muga in the State seems the way out. But government measures so far taken for the production of Pat, Muga and Eri (Oak Tassar and Rawie have

*Production of 'raw Muga' was 48000 Kg in 1980-81 as against 72000 Kg in 1970-71. While Muga cocoons are counted by cardinal numbers like thousand cocoons, the Assam Directorate of Economics and Statistics provides the data in terms of Kg which convey no intelligible meaning. Ref: Statistical Hand Books, 1974, Table 7.1 and 1982, Table 7.6.

The price of Muga cocoons increased by 144 p.c. from Rs. 45 per thousand to Rs. 110 as against the price of Pat yarn rising by 72.5 p.c. from Rs. 200 per Kg to Rs. 345 during 1970 to 1980.
been introduced recently) in Assam as well as in the N.E.
region under the auspices of the North Eastern Council have
remained confined within the establishment of Seed Farms alone
with a view to supplying better seeds to the so-called rearers.
These seed farms (there are 18 Eri Seed Grainages, 8 Muga and
9 Mulberry farms under the Department of Sericulture, Assam)
should be converted to commercial farms and more such farms be
established in collaboration with the departments of Social
Forestry and Forest for raising host plants, rearing and
supplying of cocoons for filature or other improved reeling or
spinning.

Likewise the State Directorate of Handlooms and
Textiles should take initiative for the establishment of
gold... and bobbin rolled cotton art thread manufacturing
factories in view of the rising demand in the context of
commercialising some 50,000 handlooms in the N.E. region as
recommended by the National Committee of the Planning
Commission (Sivaraman Committee) on the Development of Backward
Areas.* In this connection it may be mentioned that a scheme
for establishment of a gold thread factory at Sualkushi by a
co-operative society was reported to have been thwarted by
vested interest in Surat (all gold threads in the country

*The Committee had also recommended the setting up of more
spinning mills in the region besides the existing two in
Assam and one in Manipur for meeting the demand for 20,000
Eastern Region, Planning Commission, 1981, pp. 48-49
are supplied by 3/4 factories in Surat) by interfering at the level of All India Handloom Board which had struck a dissent note on financial allotment by the State government.

For improving the overall conditions of the textile industry in Sualkuchi there is also need for diversification and standardisation of the products. It may be recalled that a silk expert Mr. Maxwell Lefroy had expressed the view that some of the products of Sualkuchi could be adapted to European markets.\(^1\) At present also some of the Sualkuchi dealers reported to have received orders for standardised fabrics of certain length and breadth which the handlooms fail to weave. It is worthwhile recalling that the export demands for silk in Japan since 1890 was met by the power looms.\(^2\) In this context a scheme for conversion of some handlooms to power looms side by side upgrading the handlooms to automatic pick-up looms is likely to help product diversification like weaving of synthetic and blended yarn and their standardisation. Some of the educated youth willing for the enterprise have, however, been discouraged by the absence of pre- and post-processing units like sizing, calendering and calico printing facilities. Since investment in such industrial overheads is comparatively heavy, risky and at the same time less lucrative for private

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initiative, the State should play the role of innovator by establishing the plants and some powerlooms under a common workshop programme in the form of a rural industries project. "History is replete with examples of traditional weaving industries being transformed into modern textile industries. The traditional silk industry of Sualkuchi can also be metamorphosed into modern industry. ... What is necessary is courage and enterprise, imagination and guidance." ³

and sell them in certain nearby Bazars, the willing Eri spinners/weavers away from these Bazars do not get its supply. In the Rampur area (our case study) the Khadi Production Centres as well as the spinners/weavers purchase cocoons from such petty traders who collect the cocoons from the Garo hills.

In Rampur, although there is no shortage of cocoons, the pitiable aspect of the trade, as was reported by some 15 traders, is that a spinner/weaver can hardly afford to spend more than Rs. 15/15 to buy 250 grams at a time due to lack of cash. This piecemeal purchase of cocoons has its adverse effect on the quality of yarn as well as the fabric due to the quality of cocoons differing in each market day. The rush of girls and women at the doors of the KPCs for taking out cocoons to spin and weave at a fixed piece rate (dependency of the artisan) is also explainable in the artisan's dearth of working capital for purchasing cocoons.

Therefore development of Eri weaving as a profession even within the traditional line needs two pronged measures, viz., raising the production of Eri cocoons (production in the State was 1.5 lakh Kg. out of which 40,000 Kg are consumed annually by the Spun Silk Mill at Jagirabad) and supply of institutional finance to the artisans on easy terms. Increased production of cocoons also deserves priority in view of the possibility of blending Eri (Pat and Muga too) with polyester. The spinners should be trained up in this line by the Khadi and Village Industries Board through its
wide net work of production centres. In the Rampur area co-operative societies may be formed among the spinners/weavers with a view to supplying cocoons and purchasing the products at a remunerative price. Attempts should also be made to make weaving the principal occupation of a section of the families independent of agriculture as in Sualkush with a view to reducing pressure on land.

(C) Cotton Weaving: The number of commercial cotton looms in the surveyed areas is only a few, viz., 198 as against 603 Eri and 3003 Pat and Mega looms. The small number is itself indicative of its minor role; the looms provide subsidiary occupation, production as well as income per loom is also very small, i.e., around 100 metres and Rs. 100 respectively per annum. While meagre income and meagre of the dependent looms are due mainly to the small quantity of yarn put out by the agents and engagement of the weavers (women folk) in household or agricultural works, that of the independent looms (nearly 9 p.c. of the total cotton looms) are due mainly to lack of working capital and absence of a marketing channel. Like the Eri weavers of Rampur, the rural cotton weavers, mostly widows and agricultural labour families cannot afford to buy more than a few (about 250 grams) of bank yarn at a time, leave aside storing their products till seasonal rise in demand.
Marketing of even a few metres of cloth stands as the most formidable problem. Unlike in Sulkuchari or Rampur, no dealer in traditional products exists in the rural areas and when the weavers go to the nearby urban areas to push their products, the dealers offer throw away price. This is not the plight only of individual weavers, even a weavers' co-operative society in Nojo reportedly had to approach the then Chief Minister of the State (Late Sri Bishnu Ram Medhi who hailed from Nojo) for disposing their products through some government emporia and since then (the fifties) the society remained defunct mainly for the marketing problem. This aspect leads us to a very important question, viz., the role of the middlemen. In Sulkuchari the petty peddlers (about 40) as well as big traders (there are more than 100 silk stores or shops including some selling centres of the co-operatives spread over the urban areas of the State), besides the yarn putting out middlemen, purchase the silk products and sell them through out the State. In Rampur also petty traders (and some Naroweris too) roam round the villages and collect the Eri products to sell them in the urban areas. Thus these middlemen inspite of extracting the return due to the weavers, are providing a service as mediators between the weavers and consumers and the absence of such middlemen in the other rural areas creates the marketing problem.
What is more, demand for traditional cotton handloom products (Mekhela, Chadar and Gamoche) is fast declining in the face of changes in taste and fashion of the consumers who prefer comparatively fine varieties of mill made or powerloom woven and machine embroidered or printed cotton, synthetic or blended clothes (such modern fabrics particularly Chadars imported from Varanasi, Salem (Madras), Surat etc. constitute more than 500 p.c. in terms of metrage even in the Sulkashi silk stores in the State).*

Therefore any plan to commercialise the domestic handlooms within the traditional product lines is doomed to meet with failure. What is necessary is a programme for product diversification with the help of new technology and a scheme for encouraging the growth of a specialised entrepreneurial set up independent of and separate from agriculture or other avocation as against the present handlooms being an adjunct to agriculture providing only part-time occupation to the womenfolk. Formation of textile co-operatives in place of handloom co-operatives in some selected clusters of villages under what is called 'Common

*The clothing tastes and fashion have changed even among the hill tribes. In the Arunachal Pradesh while the "elderly people largely use home produced apparels. ... The younger generation use mill made clothes." Ref. N.R. Goswami and S.N. Buragohain, Hatiduma, Village Survey No. 19, Agro. Eco. Research Centre, Jorhat (mimeo), 1982, p. 100, para 3.6.
Workshed Approach with a strong financial base for providing sizing, calendering, bleaching, printing and dyeing facilities as well as for supplying raw materials and selling the products outside through sale depots seems a viable alternative.

(ii) Smithy Industries

Among the smithy group, bell metal, brass, gold and black smithy are the important industries that were found in the surveyed centres. These industries are losing their attraction for the present generation of artisans and at the same time preventing the young generations from seeking their livelihood in the industries because of the fatigue and drudgery involved in the production processes combined with the low income not commensurate at all with long hours of labour spent. Needless to stress again that all the bell metal and brass artisans of Sarthebarn and Hajo respectively are wage earners under the raw material putting out agents as a result of which they cannot partake of the profits generated by the sweat of their brow (the sole of the co-operatives is negligible and the profits earned by them are ploughed back. Therefore the member artisans cannot claim dividends). An alternative to improve their lot is to make them independent by providing them with working capital the amount of which varies from Rs. 6000 for a brass unit to Rs. 12000 for a bell metal unit for one month's roll over of
production and marketing. But the financial institutions fail to provide the required finance owing to the artisans having no collateral to offer as security except a small patch of homestead land the value of which falls far short of the bank norms.

Apart from the need for removing drudgery in the production process and raising the productivity of the artisans, the main threat to the very existence of the industries has been the competition from modern wares. Since each piece of bell metal utensil contains more metal and becomes bulky (cost of bell metal constitute 83 p.c. while that of brass constitute 67 p.c. as against wages forming respectively 14.5 p.c. and 9.5 p.c. of the total cost, the rest accounting for cost of fuels, chemicals etc.) due to the inability of the artisans to hammer out thinner varieties, machine made utensils of Naredabad, Agra, Delhi etc. which are less bulky, better designed and at the same time less costly have, along with the present day stainless steel utensils, prominently changed the taste of consumers as a result of which demand for traditional products is fast declining. The brass utensils, mainly pitchers, vases and tumblers are also being thrown out of use by the competing tin, aluminium and plastic products of various varieties and designs. It is therefore almost certain that unless measures are taken to diversify the products through mechanisation, i.e., to manufacture less costly and better
designed and polished modern varieties of brass and bell metal wares, all the artisans would be thrown out of employment and the last vestiges of the bell metal and brass industries in Assam would extinct.

It may be recalled that the Assam Co-operative Bell Metal Utensils Manufacturing Society of Sarthebari had established in 1956 a 50 H.P. diesel engine driven Re-Rolling Mill with a daily capacity of manufacturing 150 Kg bell metal or brass. Subsequently the society had also submitted to the State government a scheme for setting up of casting and polishing machines with a view to mechanising the production process. But the tragedy is that the re-rolling machine and the building both costing nearly Rs. 2 lakhs, leave aside arranging other machineries, have become a deadweight with the interest on the government loan of Rs. 2 lakhs accumulating year after year due to the dearth of technical personnel to run the machine on the one side and to the lack of working capital on the other, for lifting the quotas of the raw materials (zinc, copper and tin) supplied by the Small Industries Development Corporation in bulks of 5 or 7 metric tonnes (lifting one quota needs Rs. 5 to Rs. 10 lakhs at a time which the co-operative cannot afford).*

*Ref. Memoranda of the Society dated 31.1.69 and 14.1.71 submitted respectively to the then Minister of Co-operatives and Chief Minister of the State.
The State Directorate of Evaluation had brought, in its evaluation report, all these problems to the notice of the State Directorate of Industries in 1974 on the basis of which the latter had proposed, inter alia, the need for replacing the diesel re-rolling machine by an electric motor driven small machine, installation of other plants and machineries and establishment of Common Service Centres for the artisans of Sartheberi and Hajo to work under common workshops with modern tools and implements. But also, as a result of lacunae of the financial planning system, no physical programme was implemented during the last two plan periods for the renovation of the industries.

The blacksmiths (of Ramdin) now few in number (17 units with 37 workers) do not face the problem of marketing their products although they are to pay high for iron and coal purchased piecemeal at the retail level due mainly to dearth of cash. But the sweating toil involved in striking red hot iron with heavy hammers while sitting by the coal fire in the hearth covered with smoke and ashes compels only a few persons having no alternative to stick to the profession. A common workshop programme for mechanisation of the production process with the help of small modern furnaces, casting and rolling machines etc., can help diversification of products like manufacturing of nails,

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knuts, bolts, chisels, plane axes, wrenches, pliers etc.
besides traditional ploughshares, axes, sickles, knives,
shoppers etc. Such improvement in the production process is
likely to make the industry attractive to the young
generation. Some of the rural blacksmiths may also be
trained up on the job for repairing and welding modern
agricultural implements, automobile parts etc.

The gold smiths working on metals supplied by
customers are losing the profession due on the one side to
sky high price of gold and silver beyond the reach of the
common people who are forced by pecuniary conditions to
prefer readymade chemical ornaments and on the other, to
failure of the artisans to adapt themselves to manufacture
ornaments of modern design and finish. In the situation
one/two goldsmiths equipped with wire drawing and polishing
machines (cost of both is about Rs. 4000 at 1985 prices) to
manufacture ordered and readymade ornaments among a cluster
of villages have the prospect of regular employment with
comensurate income.

(iii) Pottery

As has been shown in the last chapter employment
in the pottery industry is stagnating over the years and
income from the profession is also meagre. The ancient
taste of the people for using earthen frying and cooking
pans, pots for storing household articles, cups for drinking
tea in the stalls etc., has been replaced long ago by the
habit of using cast iron pans and pots, aluminium vessels,
tin containers and china clay wares. Even the earthen and
brass pitchers used as water containers have been replaced
by tin and synthetic buckets. It is also reported by the
potters that with the spread of higher culture among the
autarchthongs and its consequent shedding the habit of
excessive liquor preparation, the demand for earthen pitchers
has declined very much. Therefore earthen wares made by the
village potters remain confined now-a-days only within the
requirements of religious rites, a few water containers used
by the poor and some containers of curd, jaggery and country
liquor. In the situation even the introduction of energised
wheels for manufacturing traditional products is bound to
fail. Therefore in the context of changes in the taste and
fashion of the modern consumers the potters skill should be
adapted through a scheme of on-the-job training to
manufacture other varieties of earthen wares like glazed
and artistic urns, vases, tubs etc. and china wares like
cups, plates, dishes, vases, sanitary fittings etc. with the
help of modern technique.

As regards small scale industries most of them are
economically viable. Their problems are mainly seasonal and
relate mostly to working capital.
(iv) Oil Expeller

The traditional Ghani industry is declining due to less oil output (2 litres as against 2.6 litres in the power expeller per 8 Kg mustard seeds) and non-availability, throughout the year, of seeds which are disposed by the cultivators just after harvest. The pressing of about 70 Kg seeds as against a monthly capacity of 400 Kg by the human labour driven Ghanis in Ramdia shows the existence of idle capacity even in the traditional sector. This aspect is a pointer to the need for providing working capital to the Ghanis for purchasing and storing seeds and any attempt to revive the Ghanis without provision for working capital would end in failure. It was reported by an ex-manager of a Ghani Centre at Ramdia that due mainly to lack of working capital required for purchasing and storing mustard seeds at the time of harvest, inter alia, that the Ghani Centre started in 1939 under the auspices of the Assam Khadi and Village Industries Board had died in 1963.

The owner of the small power expeller (2 H.P.) at Sarthobari reported that seeds supplied by cultivators for domestic consumption of oil did not exceed 50 p.c. of the one shift pressing capacity (40 Kg daily) and the flow continued for about 3 months after harvest (March). Therefore for utilising the capacity of the machine the entrepreneur had to spend about Rs. 20,000 for purchasing 100 quintals of mustard seeds. This aspect shows the working capital
requirement for small expellers in the rural areas. In this context random installation of power expellers in the mellow soil areas without considering the availability of seeds is also likely to result in idle capacity. However, there is prospect for expellers in certain pockets, particularly the Char areas (river islands of the Brahmaputra) where rape and mustard seeds are available in plenty (total seed production in Assam was 102 tonnes in 1980–81).

(v) Rice hullers and Atta chakki

The rice hullers in the rural areas are gradually replacing the traditional paddy husking mortar called Dhenki or the hand pounding mortar called Ural and in turn the former is catering to the husking needs of the individual cultivators. The small mill owners does not (and cannot) purchase and hold stocks of paddy at the time of its disposal after harvest due to dearth of working capital and therefore they are entirely dependent on supply of paddy for husking by the individual customers. Such supply of paddy remains regular so long as the cultivators possess stocks, i.e., for about 7 months during and after the harvest of the winter crop and during the lean season as a few relatively rich cultivators having stocks round the year some for husking, about 50 p.c. of the capacity of the small mills remain
unutilised during the lean period.*

Likewise since wheat cultivation in Assam is negligible (wheat production was only 1.2 lakh tonnes as against 25.2 lakh tonnes of rice in 1980-81), the Atta chakis in the rural areas work only for about 4 months after harvest in March. However, some intelligent entrepreneurs (40 p.c. in our case study) who could manipulate quotas of imported wheat from the supply offices reported to have worked for 5/7 days in a month during the lean period.

In the context of idle capacity existing in the extent rice hullers and Atta chakis in the rural areas further investment in random installation of such units without the provision of working capital to purchase and store up the marketed surplus** is likely to add further to idle capacity. However, establishment of combined small rice and flour mills and oil expellers by the existing 698 Panchayat level wholesale co-operative societies and dispersal of such units among a cluster of villages seem a viable alternative to the prevailing system of transporting the agricultural products for processing in the urban areas

*Our field survey of the 5 villages showed 30.9 p.c. marginal cultivators holding 8 bighas of land (1.07 hectares), 21.8 p.c. small farmers having less than 8 bighas and 10.09 p.c. agricultural labour. While agricultural labours are regular buyers of rice, the marginal and small farmers constituting 52.7 p.c. of the rural population become buyers of rice for five months in the year.

**The marketed surplus constitute about 55 p.c. of the total produce of paddy in the State, While govt. agencies procure
and retransferring the output to the rural areas for consumption. Such a scheme of local purchase of the agricultural products, their processing and distribution in the rural areas is also likely to help freeing the consumers from the clutches of the hoarders and speculators and eliminating the middlemen while at the same time such industrial units are likely to serve as small engines of economic growth in the rural areas. Private entrepreneurs may also be provided with finance for purchasing and milling the products on conditions of supplying regularly quotes of the products to the consumers' co-operatives and fair price shops (however, the levy of rice on the rural hullers catering to the husking needs of cultivators was complained by the owners to be a burden on them).

(vi) **Printing Press**

As has been stated in the last chapter, two out of 6 presses were running well and the others were struggling hard for their existence. The main cause of their sickness is the non-availability of jobs due mainly to inferior quality of print. Standard quality of print is dependent on stocks of leads of various size and types, skill of the compositors and proof-readers having a sense of decency.

about 1/5th of the surplus, the urban based big traders-cum-mill owners mop up the lion's share. Ref. Bhattacharya, P., Assam; Man Made Famine, article in EPW, May 24, 1975, pp. 821-22
However, while the owners do not like to invest in leads (types), good workers are not available in the moffusil areas unlike in the urban areas where mobile compositors and other workers are available on contract basis. At the same time absenteeism among the moffusil workers is said to be very high, due, as reported by the workers themselves, to meagre amount of remuneration (monthly salary ranges from Rs. 150 to Rs. 200) for which they are to engage themselves in household occupations to supplement their income, besides social engagements. Therefore printing presses to succeed in semi-urban and rural areas, a change in the attitude of the entrepreneurs is essential, they should be willing to spend more for quality print and to feed the workers well which would pay them in the long run. Demand for printing in the State is increasing year after year and the standard works are being printed, as reported by some publishers in Gauhati, in Calcutta. In this context a spatial division of labour for printing standard works in modern presses with punching, casting and offset facilities in the cities and job works in the small presses in the moffusil areas seems a viable alternative.

(vii) Tailoring

Tailors in the urban as well as rural areas generally cater to the sewing and stitching demand of the individual customers. While in the cities and big towns
where dealers in ready-made garments exist many tailors work under them on piece rates*, in the rural areas, however, they work to the orders of individual customers who supply the cloth. The problem faced by these tailors is, besides seasonality of demand, the frequent change in fashions of the young generations for trousers, shirts, froocks, media, maxis etc. and those tailors who fail to adapt themselves to cut and stitch according to changed fashions get only a few customers. Now-a-days demand for machine embroidered apparels, particularly ladies' and children's garments is increasing and therefore replacement of simple sewing machines by sewing-cum-embroidering machines (cost varies from Rs. 1500 to Rs. 2000 at 1965 prices) and self training of the village tailors through imitation of new cutting and stitching would help raising their income.

(viii) Furniture making

The main problem of the furniture making units is the dearth of working capital required for maintaining stocks of timber and planks with a view to seasoning them. Joints of furnitures etc. made of unseasoned timbers become loose and slack after a few months which lower the credibility and reputation of the firm. The other important drawback of the

*For details of the system in the cities please refer Emmanuel Romotet, Calcutta's Informal Sector, Theory and Reality (Section II), article in Eco. & Pol. Weekly, Dec. 10, 1969, pp. 2115-28
moffusil carpenters is the lack of skill for giving an artistic finish to the product accompanied by the propensity of the entrepreneur to earn more profit by saving some chemicals and time required for finishing which ends in boomerang by scaring away the rich customers to the reputed furniture houses in the urban areas.

(ix) Bakery

All the bakery owners complained of the harassment at the offices of the department of supply in obtaining quotes of the controlled raw materials, viz., flour and sugar. The quantity so obtained is also reported to be insufficient for their requirements and therefore the entrepreneurs are to purchase them at high prices in the open market leading to concomitant fall in their margin. The sub-standard quality of the products meant for rural customers being given, the prospect of the market is entirely dependent on the salesmanship and honesty of the commission agents whose reliability, according to the entrepreneurs, is doubtful. Improved baking of quality products with standard packing, storage facilities and self-delivery system at the customers doors is likely to help expanding their market.

The other industries, namely, bicycle and radio repairing workshops, saw mills, brick kilns and photography reported to be free from any major problem. However, all
the electric power-driven industries complained of frequent power failure for several hours and even days at a stretch which not only lowered the output of and brought in loss to the enterprises but also hit hard the daily wage workers due to 'no work, no pay' policy pursued by the management.

2. Indebtedness and Sources of Finance

The specific problems of the important industries being discussed, we may now pass over to two important general problems, viz., financial needs of the tiny entrepreneurs and sources of their finance. The questionnaires canvassed show that all the small silk factory owners forming 74 p.c. of the sample units of Sualkuchi, cent per cent of the sample weavers of other areas, all the sample bell metal and brass artisans of Sarthebari and Haje respectively, the potters of different villages and the Ghani owners had stated that they were facing difficulties for want of working capital. What is more a sizeable percentage of the artisans were indebted to various agents although they felt shy of revealing their indebtedness. In the Sarthebari area 16 (15 p.e.) masterscraftsmen or bell metal units out of 107 in the list of the co-operative (there are units working under the society in the Karakuchi, Namsla, Gomara and Baniyakuchi villages besides those in Sarthebari) were indebted to the society to the tune of Rs. 9761 in 1980-81, individual debt
varying from Rs. 195 to Rs. 1505. The Secretary of the
society had reported that the artisans sold in distress the
utensils manufactured out of the metal supplied by it as a
result of which they forfeited the right to take out metal
in the next round. In Major 15 brass artisans out of 45 did
not return the utensils worth Rs. 11250 as a result of which,
ter alia, the Bharali Tota Pital Sambay became defunct.
The cent per cent of the wage weavers in the silk factories
in Soalkuchi remain indebted to the masterweavers by taking
advances varying from Rs. 1000 to Rs. 2000 at the time of
joining the factory. The advance is repaid in instalments
out of the weekly wages earned and the masterweavers
complain that 70 p.e. of the indebted weavers leave the
factory after a few months if the former refuse to pay
further advance; 90 p.e. of such outstanding debts are
recovered with great difficulty from the new masterweavers
from whom the weavers again take advance while 10 p.e. of
the arrear becomes bad debt. All this shows the pitiable
economic position of the cottage artisans and wage workers
due mainly to their meagre income not commensurate with their
cost of living. The artisans need, besides working capital,
consumption loans for two square meals a day as well as for
meeting contingencies like health hazards. The sources of
finance to them are the friends, relatives, grocery shop
owners and the village Mahajans. The following data based
on the samples of the industrial units show the extent of
such indebtedness, besides a few establishments having
institutional loans.

Table 9.1

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<tr>
<th>Name of Industry</th>
<th>No. of samples</th>
<th>Indebted Units No.</th>
<th>P.C.</th>
<th>Total amount Rs.</th>
<th>Average amount Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Pat and Muga weaving</td>
<td>100</td>
<td>15</td>
<td>15</td>
<td>13250</td>
<td>883</td>
</tr>
<tr>
<td>2. Eri weaving</td>
<td>45</td>
<td>5</td>
<td>11.62</td>
<td>1650</td>
<td>350</td>
</tr>
<tr>
<td>3. Cotton weaving</td>
<td>35</td>
<td>9</td>
<td>25.71</td>
<td>1170</td>
<td>130</td>
</tr>
<tr>
<td>4. Bell Metal Smithy</td>
<td>10</td>
<td>3</td>
<td>30</td>
<td>1080</td>
<td>360</td>
</tr>
<tr>
<td>5. Brass Smithy</td>
<td>10</td>
<td>4</td>
<td>40</td>
<td>7360</td>
<td>1840</td>
</tr>
<tr>
<td>6. Gold Smithy</td>
<td>20</td>
<td>2</td>
<td>10</td>
<td>750</td>
<td>375</td>
</tr>
<tr>
<td>7. Pottery</td>
<td>25</td>
<td>11</td>
<td>44</td>
<td>2480</td>
<td>225</td>
</tr>
<tr>
<td>8. Ghani</td>
<td>7</td>
<td>2</td>
<td>28.57</td>
<td>1500</td>
<td>750</td>
</tr>
<tr>
<td>9. Dairying</td>
<td>3</td>
<td>1</td>
<td>20</td>
<td>550</td>
<td>550</td>
</tr>
<tr>
<td>10. Tailoring</td>
<td>38</td>
<td>7</td>
<td>18.42</td>
<td>1360</td>
<td>194</td>
</tr>
<tr>
<td>11. Furniture Making</td>
<td>14</td>
<td>2</td>
<td>14.28</td>
<td>1500</td>
<td>700</td>
</tr>
</tbody>
</table>

Source: Field Survey

The loans of the Eri and cotton weavers, bell metal and gold smithy, pottery and dairying units were for consumption and/or for other contingencies, while that of the Pat and Muga weavers were for working capital - mainly for yarn purchased on credit, Rs. 5000 as a brass unit raised by mortgaging land to a Mahajan was also for working capital.
of purchasing brass sheets for working independently. While a Ghani unit had borrowed Rs. 1000 for purchasing a pair of bullocks for the Ghani, a tailor had purchased his sewing machine by borrowing Rs. 500 and a carpenter owed Rs. 1000 for purchasing timbers. All this shows that while fixed or working capital loans constitute 63.39 p.c. of the total loans of Rs. 32650, the number of units indebted for purposes other than production is the highest, i.e., 42 out of 61. Although the average size of indebtedness is seemingly small, the burden, compared with the pecuniary conditions of the artisans, is relatively heavy. Out of the sample units again, while 4 Pat and Nuga weaving establishments in Sualkoshi had loans of Rs. 2500 each from the Department of Weaving and Agriculture, 2 units owed Rs. 5000 each to the Central Bank of India. 3 units of cotton weavers and 2 brass smiths in Maje also owed respectively Rs. 550 and Rs. 1500 each to the Allahabad Bank while 5 sample pottery units in Siliguri had loans of Rs. 500 each from the Assam Khadi and Village Industries Board.

3. The Role of Financial Institutions

As against the volume of financial requirements for working capital and other consumption needs, the sources are a few. As is well known, prior to the nationalisation of the commercial banks in 1969, the only financiers in the rural and areas were the village Mahajans and friends and relatives.
After bank nationalisation and the establishment of the rural banks (in Assam they are known as Gaonie Banks) in the seventies some branches of these banks had fanned out to the semi-urban as well as rural areas. In our case studies 3 nationalised banks were found working in Hafo, Sarthebari and Sualkuchi (other banks were established later). It is worthwhile to study their role in financing the small men, particularly the cottage and small scale industrialists within the areas under our case studies. The following table shows deposits and advances of the banks as well as their finance to industries in our surveyed areas.

<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>Deposits Rs.</th>
<th>Advances Rs.</th>
<th>No. of industrial units financed</th>
<th>Total industrial advance Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Allahabad Bank (Hafo)</td>
<td>20 Lakhs</td>
<td>15 lakhs</td>
<td>42</td>
<td>60740</td>
</tr>
<tr>
<td>2. United Commercial Bank (Sarthebari)</td>
<td>17 &quot;</td>
<td>2 &quot;</td>
<td>3</td>
<td>75000</td>
</tr>
<tr>
<td>3. Central Bank of India (Sualkuchi)</td>
<td>55 &quot;</td>
<td>15 &quot;</td>
<td>188</td>
<td>776000</td>
</tr>
<tr>
<td>Total</td>
<td>92 lakhs</td>
<td>32 lakhs</td>
<td>233</td>
<td>911740</td>
</tr>
</tbody>
</table>

Source: Field Survey. The figures supplied by the bank agents are approximates.
The data show that advances constitute about 35 p.c. of the deposits and the rest of the savings of the people flowed out of the mofussil areas. While the major part of the advances had gone to trade and commerce, transport, agriculture, pisciculture, animal husbandry and petty trades like rickshaws and hand carts, industrial loans constitute nearly 28.5 p.c. of the advances. Break-up figures of the industrial loans show that while the entire amount of Rs. 7.7 lakhs financed by the Central Bank of India had gone to 186 handloom establishments in Salkuchi, the Allahabad Bank at Hajo had advanced only Rs. 29440 to 19 weavers and 10 brass smiths and Rs. 31300 were advanced to 23 small scale units in Hajo and Namdia besides financing 6 other units outside our surveyed areas to the tune of Rs. 4500. The United Commercial Bank at Sartebhari had financed only 3 small scale industries and none of the bell metal artisans was financed since its establishment in 1971.

Besides, as reported by the recipients themselves, the Department of Weaving and Sericulture had advanced Rs. 2500 each to 302 weavers in Salkuchi in the seventies; the Assam Khadi and Village Industries Board had financed 11 potters of Silguri (Rs. 500 each) and the power expeller at Sartebhari, the District Industries Centre (Gauhati) had advanced Rs. 1000 each to 12 black smiths of Namdia. While a saw mill at Rampur was financed to the tune of Rs. 74,000 by the State Finance Corporation, the Small Industries
Development Corporation had supplied the machine of a rice mill at Sarthobari under hire purchase scheme (as reported by the entrepreneur the machine was out of order after some days and the HDC refused to replace it). Thus the number of industrial units financed by the banks and other institutions was 561 as against 3554 establishments in the surveyed areas, i.e., only 15.78 p.c. of the total industrial units could obtain institutional finance during the 10 year period of our two time point surveys in 1970-71 and 1980-81.

It may also be noted that 40 p.c. of the needy entrepreneurs/artsains had reported their inability to obtain institutional finance for the cumbersome procedure of sanctioning loans. Besides coming into terms with the management, they are required to prepare and submit schemes, obtain non-encumbrance and valuation certificates from land records offices for collateral security, find out guarantor etc., and what is more the value of land offered as security falls far short of the norms insisted on by the institutions for the required amount of advance. The rest of the needy artisans or entrepreneurs were either not aware (information gap) of obtaining institutional finance or were callous about the prospect.

It should also be added in fairness that according to the bank agents their experience about recovery of loans was 'very bad'; most of the loanees did not pay regularly even the interest leave aside the instalments due and a bank
had instituted as many as 35 court cases for recovery of loans. All this shows that while the procedure of finance needs simplification, banking habits to grow among the rural population, particularly as regards repayment of the old loans and obtaining new ones may take some time. It is also to be added that there is no arrangement for follow up action either for utilisation or recovery of loans by the institutions; there should be personnel even on commission basis, like the "Mini Deposit Collecting Authorised Agents" to collect in small instalments the dues by the loanees.

4. The Role of Intermediaries

The data on independent and dependent establishments as presented in Chapter VII (Section 6) show that nearly 60 p.c. of the Cottage units were dependent on the raw material putting out agents and the value added by the units had accrued not to the artisans but to the intermediaries. The National Committee of the Planning Commission on the Development of Backward Areas (Sivaraman Committee) had stated emphatically that "in fact this value added is siphoned off by the money lenders and traders in supply of raw materials and marketing the products. Hence it is not enough that value added is improved, but that a larger portion of it reaches the workers."

This aspect of making the artisans and workers the recipients of the value added raises a very important theoretical as well as practical issue. Should the private raw material supplying agents alone be eliminated? Do the workers in the factories receive the value added by them? Is the plight of the artisans under government agencies like the KVIC any way better than those under private agents? Our case studies reveal no difference between the workers in factories, artisans under government agencies like the KVIC, co-operative societies and private dealers. They are all wage earners under a piece rate system without any other fringe benefit; their income is entirely dependent, given the propensity of the artisan to work, on the amount of raw materials supplied and the rates of wages with marginal variation.

No doubt, the distinction between commercial or entrepreneurial revenue accruing to the state coffers and profits accruing to private pockets needs no underscoring. But like the government or co-operative agencies, the private dealers both in the productive and distributive channels are also playing a positive role by holding stocks of raw materials, finished products, arranging display of the products in their shops, mediating between the artisans and the outside world and what is more important they are also providing employment opportunity and a source of income to the workers through the putting out system.
No doubt, the main thrust of rural industrialisation in our country is decentralisation of economic power through self-employment in cottage and small scale industries. But considered in the context of the historical process of industrialisation in the advanced countries as well as in our country itself, the idea of self-employment seems to be a utopia; wage employment, rather than self-employment either in the factory or at home under the putting out system is the reality substantiated by our case studies too. The putting out system in Japan is reported to have been famous for its "extension into trades where a commodity has to be made in several parts; the parts are put out to individual craftsmen or to small workshops, working on detail specifications, where after the assembly is done in central factories ... . The survival of small scale production depends upon continuous enterprise of this sort, bringing new commodities within the range of the system ... ." 6

The arguments above have been adduced not in defence of the intermediaries but as an objective analysis of the economic development process. The elimination of the myriad of intermediaries existing at different levels and sectors of the economy calls for a political will to

provide an alternative set up in the form of state or public agencies like collectives or communes both for production and distribution in which the workers participate in management as well as in the dividends of the enterprise. Pending such an alternative and the entrenched contours of mixed economy being given, trader middlemen to mediate between the producers and consumers, particularly private firms to put out industrial raw materials for processing or manufacturing, instead of being eliminated, are likely to take firm roots in the future in our economy. In the situation enforcement of labour welfare measures like minimum wages, payment of bonus, payment of minimum allowance during lay-off periods due to non-supply of materials etc. seem desirable. The government or semi-government agencies should set the examples by introducing such schemes side by side enforcing them in the private sector.

5. Conclusions

The problems analysed in this chapter show that the traditional industries while losing their attraction to the new generations have faced stiff competition from the modern sectors and unless measures are taken to upgrade the quality and design of the products as well as the technique of production they are likely to be weeded out. The weak financial position of the artisan/entrepreneur add to other dimensions of their problems. They cannot take advantage of
bulk purchasing the raw materials, leave aside holding their stocks, and if their products remain unsold for some time they fall in a quandary and resort to distress sale. All these factors combine to make the cottage artisans dependent on the trader middlemen and raw material supplying intermediaries who siphone off the value added.

The artisans/entrepreneurs are also dependent on friends, relatives and village Mahajans for financial support in times of their distress. They fail to take advantage of institutional finance for their working capital requirements due to their inability to offer collateral securities and the cumbersome procedure of sanctioning loans by the banks. The attitudes of the officers of the banking institutions also seem to be apathetic because of their 'bad experience' gained from advancing a few loans earlier. The cottage artisans and the small industrialists are, therefore, caught up in the vicious circle of poor financial base caused by their poor economic base.