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PROFILE OF THE STUDY AREA AND THEORITICAL BACKGROUND OF COTTAGE INDUSTRIES

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CHAPTER - III

PROFILE OF THE STUDY AREA AND AN OVERVIEW OF COTTAGE INDUSTRIES

3.0 INTRODUCTION

For better understanding about the study first we should have some basic knowledge about the study area and the topic of the study. The topic of the research is Growth of Cottage Industries in Tirunelveli district. The large scale, small scale, cottage and handicraft industries growth of a district is conditioned by natural resources, infrastructural facilities, transport and technical know-how etc. So we should have some better knowledge about these aspects and background of the district. This chapter provides relevant informations about Tirunelveli district and Cottage industry.

3.1 HISTORY OF TIRUNELVELI DISTRICT

Tirunelveli the penultimate southern most district of Tamil Nadu, is described as a microcosm of the State, owing to its mosaic and diverse geographical and physical features such as lofty mountains and low plains, dry Teri structures, rivers and cascades, seacoast and thick inland forest, sandy soils and fertile alluvium, a variety of flora, fauna, and protected wild life.

On acquisition from the Nawab of Arcot in 1801, the British named it as Tinnevelly district though their headquarters was first located in Palayamkottai the adjacent town, where they had their military headquarters during their operations against the Palayakars. Two reasons may be attributed for naming it after Tirunelveli. One is because, it was and is the chief town of the district and the other is that it was already called as Tirunelveli Seemai under the Nayaks and Nawabs. Thenpandiyanadu
of the early Pandyas, Mudikonda Cholamandalam of the Imperial Cholas, Tirunelveli
Seemai of the Nayaks, Tinnevelly district of the East India Company and the British
administration and Tirunelveli district of Independent India was bifurcated on 20th
October 1986. With a view to making the district administration more effective, the
Government of Tamil Nadu reorganised some of the larger districts and carved new
districts out of them in stages. Tirunelveli district also was decided to be bifurcated. An
Expert Committee was constituted in 1984 to study and recommend to the Government
the details of the bifurcation of the district\(^1\). The divided districts are called as Nellai-
Kattabomman district and Chidambaranar (Tuticorin) district. Subsequently the district
name was christened as Tirunelveli-Kattabomman district. As per the decision of the
Government of Tamil Nadu to call all the districts by the name of the headquarter town,
Tirunelveli-Kattabomman district is now Tirunelveli district. Chidambaranar district is
now called as Thoothukudi district. Both Tirunelveli and Palayamkottai grew as the
twin towns of the district.

### 3.2 MYTHOLOGICAL ASSOCIATION

The Tirunelveli Sthalapurana prescribes a tradition for the origin of the name
Tirunelveli. The mythological version goes that one Vedasarma, a staunch devotee of
Shiva, on his pilgrimage from the North to the South was invited by Lord Shiva in his
dream to his abode on the banks of the sacred river Tamiraparani. The delighted
devotee came to Sindupoondhurai on the banks of the river and stayed there with
his family. Once there was a famine which forced Vedasarma to collect paddy by way
of begging and continued his daily prayers. One day he spread out the paddy to dry
under the Sun before the Lord, and went for his ablutions in Tamiraparani. He prayed

to the Lord for rain which he thought could be a remedy for the famine. His prayer was answered and when he was taking bath a thunder storm broke-out and it rained heavily. Vedasarma rushed to the place where he had spread the paddy. He witnessed a miracle. Despite rain around the area, the paddy that he had spread did not receive even a single drop of rain and did not get wet. Since then according to the purana the Town is called as “Tiru-nel-veli” (Sacred hedged paddy).

3.3 GEOGRAPHICAL DATA AND BOUNDARIES

The Tirunelveli District is located in the world map, between 08° 8’ and 09° 23’ latitude and 77° 09’ and 77° 54’ longitude. The total geographical area of the district is 6,823 sq. km. The district is surrounded by the State of Kerala, Gulf of Mannar and the districts of Virudhunagar, Thoothukudi and Kanniyakumari.

Figure 3.1

Tirunelveli District Map
3.4 CLIMATIC CONDITION

3.4.1 Temperature

In the day time the coastal regions are cooler than the interior parts by about a degree in summer and southwest monsoon seasons and warmer by one to two degrees during the rest of the year. From about the middle of February, temperature increases steadily. In May which is usually the hottest month in the interior, the mean daily maximum temperature is 37.1 degree Celsius. The weather is quite hot in May and June and the maximum temperature sometimes reaches 45 degree Celsius. With the onset of the southwest monsoon by the end of May or beginning of June, there is some drop in temperature. By about the middle of October, both day and night temperatures decrease appreciably. The period from November to January is the coolest part of the year with the mean daily maximum temperature of about 30 to 31 degree Celsius in the interior parts. The mean daily minimum in these months is about 22 to 23 degree Celsius in the district in general.

3.4.2 Humidity

The relative humidity in general, during the year, is between 55 and 65 percent in the interior parts of the district, except during the northeast monsoon season, when it is over 65 per cent. The coastal parts are comparatively more humid.

3.4.3 Cloudiness

During the months of April and May, the skies become heavily clouded and threatening in the afternoons on many days when thunderstorms follow. In the southwest and northeast monsoon seasons, the sky is heavily clouded or overcast.
3.4.4 Winds

- Generally light to moderate in strength.
- Between May and September winds are mainly north Westernly or Westernly.
- From October to February winds are mainly north Easternly or Northerly.

3.4.5 Rainfall

- Main rainy season is from October to the middle of January.
- During this southwest monsoon season the rainfall is pronounced in the western parts of the district.
- November is generally the rainiest month.
- The heaviest rainfall in 24 hours recorded in the district was 371.5 mm at Sivagiri on 29/10/1929.
- The average rain fall in the district is 814.8 mm per annum.

3.5 MINERAL RESOURCES

3.5.1 Limestone

It is available at several places in the district. The major part comes from the crystalline limestone deposit occurring near Ramayanpatti, Talaiyuthu and Padmaneri. A total reserve of 4.06 million tonnes limestone up to a depth of 15.2 meter in Ramayanpatti band and 5.08 million tonnes up to a depth of 15.25 meter in Talaiyuthu band has been estimated. The limestone available here contains Calcium Oxide (Ca O) from 34.97 to 55.49 percent, Magnesium Oxide (Mg O) from 0.31 to 7.24 per cent.
The Padmaneri band consists of six limestone lenses with an aggregate strike length of about 800 meter. The average width is 4.75 meter. 0.199 million tonnes of cement grade limestone is estimated from this band. The Singikulam band extends over a strike length of 17 km. It contains seven limestone lenses with an aggregate strike length of about 6.4 km. and average width of 13 meter. About 3.160 million tonnes of cement grade limestone is estimated from this band. Six bands of good quality limestone occur near Pandapuli and 4, 34,000 tonnes of limestone suitable for the manufacture of cement and chemical industries have been estimated.

3.5.2 Sulphides

Light traces of sulphides occur in and around Pattankadu and Munradaippu. This mineral is of no economic importance.

3.5.3 Ilmenite - Garnet Sands

Occurrence of red garnet sands in the beds of the river Nambiar and Uvari has been recorded. The proportion of garnet is 75 per cent in the rich deposits and 45 per cent in the surface sands. Local concentration of limenite sands are noticed near Vijayapatti and Kuttankuli.

3.5.4 Forests

The total area of the forest of the district is 1,22,055 ha. of which 81700 ha. is set apart for Tiger reserve of Mundanthurai and Kalakadu. The entire forest of the district stretches along the Western ghats.

Various types of forests from luxuriant tropical wet evergreen forests to southern thorn scrub forests occur in the district. Owing to its diverse geographical
factors. The forests in the district are technically classified as Southern hill top tropical evergreen forests, West Coast tropical evergreen forests, Southern moist mixed deciduous forests, Ochlandra reed forests, Carnatic umbrella thorn forests Southern Euphorsia scrub and Southern thorn scrub.

3.6 AGRICULTURE

Tirunelveli district is predominantly an agricultural district. The district has mainly two cropping seasons, viz. Kar, the first crop (June to September) and Pishanam, the second crop (October to February).

3.6.1. Cropping Pattern

Tirunelveli has fertile soils only in scattered regions. Less fertile red soils are found distributed over most of the region. The network of the irrigation system marks full use of the water resources; the natural deficiency has been overcome to a greater extent. The cropping pattern of the district is essentially of the type characterising dry regions. It normally varies from taluk to taluk. Wet cultivation is essentially paddy cultivation and the major share of the gross cropped area is under one crop. In dry regions, diversified cropping patterns exist and no single crop claims a large share of the gross cropped area. Dry cultivation which characterises these regions is also basically millet and cash crop cultivation. Even in dry regions wherever water is available, it is the paddy crop that is sown by the farmers. Paddy occupies the largest area of cultivation, followed by cotton. Paddy is cultivated mainly in Tirunelveli, Palayamkottai, Tenkasi, Shencottai, Ambasamudram and Nanguneri Taluks.

Other crops grown in the district are cumbu, ragi, pulses, groundnut, gingelly, coconut, chillies and indigo. Portions of Sankarankoil Taluk have the rich, fertile black
soils which are highly suitable for cotton cultivation. Factors such as type of soil, climatic conditions, irrigation facilities, etc., determine the cropping pattern in a region. Most of the rain fed areas is cultivated in both the seasons. Most of the crops are on the ground for three or four months except chillies and cotton which take more than five months.

3.6.2 Irrigation

Tirunelveli District enjoys the benefit of the early showers of south west monsoon and of the later rains of the north-east monsoon. The district is chiefly irrigated by rivers rising in Western ghats. The dams and anaicuts constructed on Tamiraparani and Manimuthar rivers serve both agriculture and power generation. The total fall, though is light, averaging about 814.8 mm per annum, is generally well distributed. The Tamiraparani river affords perennial irrigation to a fairly large area on which two crops are normally raised. Several tanks and wells form part of the other source of irrigation.

3.7 RIVERS

The Tamiraparani is a symbol of Tamil culture and civilization and an identity of the far south of India. In Tamil and Sanskrit literature of earlier times, the Pandyas were referred to as the rulers of the land where the Tamaraparani flowed. It is in the Western Ghats that all the rivers of the district take their rise. The Tambraparani, the chief river of the district, drains an area of about 1,750 miles and from its source in the Periya Pothigai to its mouth in the Gulf of Mannar is 75 miles long. At the foot of this fall, the river is joined on the right by the Pambar. From the Pambar junction to the

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2 H.R. Pate, op.cit., p. 8.
famous Sorimuthayyankoil, a distance of about three miles, the Kariyar river falls about twenty feet in a mile. The Manimuttar, Varahanahi, Gatanadhi and Pachaiyar are the other famous rivers in the district. Tamiraparani is the chief river of the district which has a large network of tributaries which includes the Peyar, Ullar, Karaiyar, Servalar, Pampar, Manimuthar, Varahanathi, Ramanathi, Jambunathi, Gadananathi, Kallar, Karunaiyar, Pachaiyar, Chittar, Gundar, Aintharuviar, Hanumanathi, Karuppanathi and Aluthakanniar. The two rivers of the district which are not linked with Tamiraparani are the Nambiar and the Hanumanathi of Nanguneri taluk. (There are two Hanumanathis in the district).

3.8 EDUCATION

Tirunelveli district, which is called 'Oxford of South India' has a rich tradition in education. The district has a large number of educational institutions both in the government and the private sector.

The details of Educational Institutions in the district are as follows:

<table>
<thead>
<tr>
<th>S.No</th>
<th>Educational Institutions</th>
<th>No of Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>University</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Arts and Science Colleges</td>
<td>21</td>
</tr>
<tr>
<td>3</td>
<td>Medical Colleges</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Siddha Medical College</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>Engineering Colleges</td>
<td>12</td>
</tr>
<tr>
<td>6</td>
<td>Law College</td>
<td>1</td>
</tr>
<tr>
<td>7</td>
<td>Pre primary Schools</td>
<td>201</td>
</tr>
</tbody>
</table>
3.9 INDUSTRIAL SCENARIO OF TIRUNELVELI DISTRICT

Tirunelveli District comprises of large, medium and small scale industries. Though all the categories of industries contribute equally to the uplift of the nation, being the employer of the masses cottage and small scale industries contributes much more than the other two. Since 1947, the Government has been taking serious steps to provide all facilities for the industrial growth. Simultaneously the Government promoted the large scale, medium scale and the small scale industries. Various incentives and assistance have been provided by the Government to promote them. The industrial sector of Tirunelveli District has played a very important role in the socio-economic development of the district during the past 50 years.

3.9.1 Overview of the resources of the district

- Limestone is the major mineral available in Rastha, Thalaiyoothu, Sankarnagar & Padmaneri.
- Limestone available here contains calcium oxide (CaO) from 34.57% to 55.49 %, Magnesium oxide (MgO) from 0.31% to 7.24 %.
- Lime industries manufacturing raw lime powder, burnt lime and Cem powder numbering about 65 are available in Manur block.
- Red Garnet sands and ilmenite are available in the river beds of Nambiyar, as well as in Seashore lands of Radhapuram Taluk.
- Garnet sand & Abrasives are separated and exported.
- Major products are Cement, Cotton yarn, Sugar, Cotton seed oil, Printing, Paper and Flour products.
3.9.2 Major Cottage and Handicraft Industries in the district

- Handloom
- Mat weaving
- Basket making
- Palmirah products
- Poultry
- Country bricks
- Tiles making
- Blacksmithing
- Carpentry
- Metal and allied works
- Terracota products
- Lacquerware
- Wet Grinding Stone

3.9.3 Large Scale Industries / Public Sector undertakings

List of the units in Tirunelveli district

1. Kudankulam Atomic Power Project (Public sector)
2. India Cements, Thalaiyuthu

3.9.4 Major Exportable Item in the district

- Cement
- Handicraft items
- Granite
- Coir pith block/ Coir Products
Processed Gherkins
Cashew products
Readymade Garments
Terry Towels and Lungies
Herbal Products
Ornamental Wooden Products

3.9.5 Different Categories of Cottage Industries in the District

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>Category</th>
<th>Type of Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Raw material</td>
<td>Agro Processing activities, Horticulture based activities, Cotton textiles, Dairy and Wood based</td>
</tr>
<tr>
<td></td>
<td>based</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Demand based</td>
<td>Sari weaving, Tourism related, Readymade garments, Milk Chilling and Processing etc.</td>
</tr>
<tr>
<td>3</td>
<td>Skill based</td>
<td>Cotton and Silk weaving, Lacquer ware, Brass items, Brick making etc.</td>
</tr>
<tr>
<td>4</td>
<td>Export Oriented</td>
<td>Herbal products and Fruit processing and fresh organic fruits and Coconut based products</td>
</tr>
<tr>
<td>5</td>
<td>Rural Artisans</td>
<td>Village Industry, Rope making, Imitation Jewellery, Handmade papers etc.</td>
</tr>
</tbody>
</table>
### 3.9.6 Major Activities/Clusters in the district

<table>
<thead>
<tr>
<th>SI No.</th>
<th>Activity</th>
<th>Major Centers</th>
<th>Predominant Blocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Beedi</td>
<td>Alangulam, Melapalayam, Mukkudal (Spread through out the district)</td>
<td>Alangulam, Palayamkottai, Ambasamudram, Cheranmahadevi, Kalakadu</td>
</tr>
<tr>
<td>2.</td>
<td>Mat Weaving (Handlooms)</td>
<td>Pattamadai, Nalattinpushur, Arikesavanallur</td>
<td>Cheranmahadevi, Ambasamudram</td>
</tr>
<tr>
<td>3.</td>
<td>Matches</td>
<td>Kuruvikulam, Nalattinpushur</td>
<td>Kuruvikulam</td>
</tr>
<tr>
<td>4.</td>
<td>Powerlooms</td>
<td>Sankarankovil, Puliangudi</td>
<td>Sankarankovil, Vasudevanallur</td>
</tr>
<tr>
<td>5.</td>
<td>Rice mills</td>
<td>Alangulam, Keelapavoor</td>
<td>Alangulam</td>
</tr>
<tr>
<td>6.</td>
<td>Sericulture</td>
<td>Tenkasi</td>
<td>Tenkasi</td>
</tr>
<tr>
<td>7.</td>
<td>Brick/Tile works</td>
<td>Karukurichi, Keelapavoor, Kalakadu</td>
<td>Ambasamudram, Tenkasi, Kalakadu</td>
</tr>
<tr>
<td>8.</td>
<td>Brass works</td>
<td>Vagaikulam</td>
<td>Ambasamudram</td>
</tr>
<tr>
<td>9.</td>
<td>Handlooms</td>
<td>Kadayanallur, Idaikal</td>
<td>Ambasamudram</td>
</tr>
<tr>
<td>10.</td>
<td>Coir based industries</td>
<td>Tenkasi, Courtallam</td>
<td>Tenkasi</td>
</tr>
<tr>
<td>11.</td>
<td>Blue metal</td>
<td>Thalayuthu, Alangulam, Ramayanpettai</td>
<td>Alangulam</td>
</tr>
<tr>
<td>12.</td>
<td>Oil Mills</td>
<td>Alangulam</td>
<td>Alangulam</td>
</tr>
<tr>
<td>13.</td>
<td>Pottery</td>
<td>Karukurichi, kuniyur</td>
<td>Cheranmahadevi</td>
</tr>
<tr>
<td>14.</td>
<td>Palm Tapers</td>
<td>Radhapuram, Sankarankoil, Pappakudi, Valliyur</td>
<td>Radhapuram, Sankarankoil, Valliyur</td>
</tr>
<tr>
<td>15.</td>
<td>Lime</td>
<td>Sangarnar</td>
<td></td>
</tr>
</tbody>
</table>
3.10 AN OVERVIEW OF COTTAGE INDUSTRIES

The term ‘cottage industry’ is used when products are manufactured on a small scale. India is well known for its large number of traditional cottage industries. But with the advent of the industrialization, cottage industries witnessed a sharp decline. However, the government has taken steps to revive cottage industries and they now play an important part in contributing to the economy of the country. The top five Indian cottage industries are cotton weaving, silk weaving, carpet making, leather industry, metal handicrafts and small food processing industries. Cotton weaving is a very important cottage industry in India. This skill dates back to ancient times as cotton clothing is widely worn around the country. Indian cotton weaving is known for traditional designs and patterns done by skillful weavers with their looms. The cotton industry in India is concentrated in Maharashtra, Tamil Nadu, and Gujarat. Silk weaving is another famous cottage industry in India. India is one of the major producers and consumers of silk as it is worn on special occasions such as weddings and festivals. Mulberry, Muga, Tassore, and Eri are the types of silk produced in India.

Cottage Industries play a major role in the economic development of any local geographic area and the nation as a whole. As someone sets up cottage industry in any rural area then the young generation has no need to go to cities for work and with industrialization facilities do arrive. Small scale industries are labour intensive so there is no need to for the labour to be too skilled which provides opportunity for everyone, employment according to the skills. Due to this opportunity everyone gets the source of income which in turn increases the Gross per Capita of the family. As the income of families living in country increases the Gross per Capita of the country increases. Entrepreneurs who are not able to receive loan for the bigger firms are also
turning towards the cottage industries because cottage industries don’t need too much funding. The most important and crucial one is them is to find and sustain qualified workers.

The existence of cottage industries can be traced back to 15th century but it became prominent in the 17th and 18th centuries. Initially it served a way for entrepreneurs to bypass the guild system which was thought to be cumbersome and inflexible. Before the advent of East India Company, India only had cottage industry but after it for some time the only thing ruling Indian market was the product of East India Company. To get rid of East India Company, Gandhiji brought the concept of Khadi once again. The main idea of introducing Khadi once again was to promote the concept of ‘Swadeshi’ and ‘Swaraj’ once again which would eventually give a set back to the income of East India Company and there would be a source of income for the common man.

3.11 COTTAGE INDUSTRIES AND THEIR IMPORTANCE

India is a predominantly agricultural country. About eighty per cent of our country’s population depends on agriculture. In India agriculture can be termed the largest and the most important industry. Agriculture is a seasonal industry which does not provide any work to the agriculturists for about three to four months in a year. The women and the old are without any useful employment almost throughout the year. Cottage industries can provide them some gainful employment and add to their income. They can increase the total production in the country as well. Mechanisation is the order of the day all over the world. But in an underdeveloped and agricultural country like India, the importance of cottage industries cannot be over emphasised. Even Mahatma Gandhi strongly recommended the development and expansion of cottage
industries in India. He said, “I can have no consideration for machinery which is meant to enrich the few at the expense of many.” According to him, “Mechanisation is good when the hands are too few for the work intended to be accomplished. It is an evil when there are more hands than required for work as are the case in India; the problem is how to utilise the idle hours of teeming million inhabitants of our villages which are equal to the working days of six months in a year.”

Cottage industries are of special importance because they can be carried on with the help of the members of the family. They do not require large premises, huge machines and great investment. They are labour intensive. The greatest advantage of such industries is that even the women and the old in the family can usefully utilise their leisure. They not only increase the income of the family but also reduce unemployment and thus raise the standard of living of the members of the family. In olden times, India had fairly developed cottage industries. The commodities produced in these industries were famous for their beauty, art and delicacy. Every village in India was a centre of these industries. But during the British rule these industries received no protection, what to talk of encouragement, and so they were ousted by large industries. After the attainment of independence our national government has paid sufficient attention to the development of these industries.

3.12 COTTAGE INDUSTRY IN INDIA AFTER INDEPENDENCE

India achieved independence in 1947 and since then the leaders of India trying hard to improve the economic conditions of the country. The initial attempt was made to improve the economy with the establishment of large scale industries. Many Public sector steel industries have been established at the early stage of independence neglecting the agriculture and cottage industry. However, in the subsequent five year
plans the rectification was incorporated. Since then, the small scale industries are run with a joint co-operation of the public and private sectors. Now, almost every state in India has its own set of cottage industries. The art and craft items of the region reflect the culture of that region. In India, the Industrial Policy Statement made in Parliament in December 1977, it was that Government would introduce legislative measure to ensure adequate recognition to cottage industries, which are capable of providing employment to a large number of persons in the rural sector. As a result of this shift in the attitude of the government every district will be provided with an agency to look after the needs of cottage industries in the district. This district agency would arrange for machinery, raw material, credit facilities, marketing, research and expansion of these industries. The policy statement hoped that the financial institutions would reserve a portion of their total advances for the cottage industries. The government departments and public undertakings have been instructed to make their purchases from these industries on a priority basis.

Government would take effective measures for development and greater use of small and simple equipment and machinery suitable for those employed in cottage industries with a view to increasing their productivity and profitability. During the first three Five Year Plans a sum of ₹458.76 crores was spent by government for the development of village and small scale industries. The Fifth Plan outlay for the development of this sector was ₹535.03 crores. The Sixth Plan provides an outlay of ₹935.00 crores for cottage and small scale industries. It is estimated that Khadi and village industries, and small scale industries would be producing goods worth ₹2561 crores and ₹2670 crores during 1982-88 they are likely to give employment to 74.48 lakh and 57.68 lakh persons respectively. Having fixed the objectives of removal of poverty and unemployment, the economic growth of the rural areas is one of the most
important measures for achieving it. Development of cottage industries is vital for the
total transformation of our countryside.

3.13 GOVERNMENT POLICY INITIATIVES TOWARDS COTTAGE INDUSTRIES

The growth of small scale and cottage industries sector has been regarded as
one of the most significant features of planned economic development. Keeping in
view the importance of small scale and cottage industries, Government of India framed
a policy package consisting of both promotional and protective instruments for
fostering the growth of small scale and cottage industries, soon after independence.
Government’s attitude and intention towards industries in general and SSIs in particular
are reflected in Industrial policy Resolutions.

(a) Industrial Policy Resolution of 1948

The Industrial Policy Resolution (IPR) of 1948 marked the beginning of
“organised direction” for industrial development in India. The strategy of industrial
planning aimed at diversifying the industrial base mainly through the development of
basic, intermediate and capital goods industries. Nevertheless, it laid much emphasis on
the indispensable role of small scale and cottage industrial sector for employment
generation in the economic development of the country.

The IPR of 1948 stated that “Cottage and small scale industries have a very
important role in the national economy. Offering as they do scope for individual,
village or cooperative enterprise, and means for the rehabilitation of displaced persons.
These industries are particularly suited for the better utilization of local resources and
for the achievement of the local self-sufficiency in respect of certain types of essential

3 Subrahmanya, M.H.B. (1995): ‘Reservation Policy for Small Scale Industries: Has it delivered the
consumer goods like food, cloth and agricultural implements”. The IPR of 1948 reflected the emergence of a dualistic approach in government policy i.e. emphasis on both traditional and modern small scale sector. This approach has continued to form the basis of industrial policy towards the small scale sector ever since. The Industrial Development and Regulation Act, 1951 which was promulgated in order to provide the organizational support to IPR of 1948 provide scope for a coordinated development of cottage and small scale industries within the general framework of large scale development programmes.

(b) Industrial Policy Resolution of 1956

In 1955, Planning Commission setup a Committee on village and small scale industries popularly known as Karve Committee. The Committee recommended some important measures like:

(i) Reservation of certain items only for village and small scale industries;

(ii) Restriction of capacity expansion of large industry;

(iii) Management of supply of raw materials; and

(iv) A scheme of concessions and benefits to small producers.

Small scale and Cottage industries sector was seen as the major vehicle for expanding consumer goods output to meet an expected growing demand due to increased investment in public sector projects during the first Five Year Plan. The IPR of 1956 advocated the policy of protection as recommended by Karve Committee to improve economic viability and competitive strength of small scale industries and

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cottage industries and stated that “The States has been following a policy of supporting
cottage and village and small scale industries by restricting the volume of production in
the large scale sector by differential taxation or by direct subsidies. While such
measures will continue to be taken, whenever necessary, the aim of the State Policy
will be to ensure that the decentralised sector acquires sufficient vitality to be self
supporting and its development is integrated with that of large-scale industry.
Therefore, concentrate on measures designed to improve the competitive strength of the
small scale producer. For this it is essential that the technique of production should be
constantly improved so and modernised the pace of transformation being regulated so
as to avoid as far as possible, technological unemployment. Lack of technical and
financial assistance, of suitable working accommodation and inadequacy of facilities
for repair and maintenance are among the serious handicaps of small scale producers. A
start has been made with the establishment of industrial estates and rural community
workshops to make good these deficiencies. The extension of rural electrification, and
the availability of power at prices, which the workers can afford, will also be of
considerable help. Many of the activities relating to small scale production will be
greatly helped by the organization of industrial cooperatives. Such cooperatives should
been courage in every way and the States should give constant attention to the
development of cottage and village and small scale industry”.  

The focus of the IPR

was to continue the policy support to cottage, village and small industries by
differential taxation or direct subsidies in the form of financial assistance to improve
and modernize the techniques of production and competitive strength of SSIs. To
achieve these 128 items were exclusively reserved for production in SSIs, and 166
items were reserved for exclusive purchase by government from this sector.

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5 Industrial Policy Resolution, (1956) Ministry of Small Scale Industries, Government of India,
New Delhi,April’30, No.91/SF/48, p.14.
(c) Industrial Policy Resolution of 1977

The IPR of 1977 was announced on 23rd December when Janata Party Government took initiatives for the development of small scale sector and asserted that “The main thrust of the new Industrial Policy will be on effective promotion of cottage and small 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”\(^6\) The important features of the IPR were:

(i) 504 items were reserved for exclusive production in the small-scale industries.

(ii) The concept of District Industries Centres (DICs) was introduced so that in each district a single agency could meet all the requirements of SSIs under one roof.

(iii) Technological up gradation was emphasized in traditional sector

(iv) Special marketing arrangements through the provision of services, such as, product standardization, quality control, market survey, were laid down.

(d) Industrial Policy Resolution of 1980

The Industrial Policy of 1980 marked a significant milestone in the policy of development of small scale industries in India. The IPR sought to harmonize the growth in small scale industries with the large and medium scale industries. Industrially

backward districts were identified for faster growth of existing network of SSIs.

Following measures were specified in the policy:

(i) Investment limit was raised for tiny, small, and ancillary units to Rs. 2 lakh, Rs. 20 lakh, and Rs. 25 lakh respectively.

(ii) “Nucleus plants” in each industrially backward district replaced the “district industries centers.” These were to concentrate on assembling the products of SSIs and to produce inputs needed by large number of small units.

(iii) Reservation of items and marketing support for small industries was to continue.

(iv) Availability of credit to growing SSI units was continued.

(v) Buffer stocks of critical inputs were to continue.

(vi) Agricultural base was to strengthen by providing preferential treatment to agro based industries.

(vii) An early warning system was to establish to avoid sickness and take appropriate remedial measures.

(e) Industrial Policy Resolution of 1990

The Industrial Policy Resolution of 1990 emphasized on the need of modernization and technology up gradation to meet the twin objectives of employment generation and dispersal of industry in rural areas, and to enhance the contribution of small scale industries to exports. Main features of this Resolution are:
(i) It raised the investment ceiling in plant and machinery for small scale industries to Rs. 60 lakh and correspondingly, for ancillary units to Rs. 75 lakh.

(ii) It created central investment subsidy for this sector in rural and backward areas. Assistance was also granted to women entrepreneurs for widening the entrepreneurial base.

(iii) Reservation of items to be produced by SSIs was increased to 836.

(iv) Small Industries Development Bank of India was established to ensure adequate flow of credit to SSIs.

(v) Stress was reiterated to upgrade technology to improve competitiveness.

(vi) Special emphasis was laid on training of women and youth under Entrepreneurial Development Programme.

(vii) Activities of Kadhi and Village Industries Commission and Khadi and Village Industries Board were to expand.

(f) Industrial Policy Resolution of 1991

On July’ 24, 1991 the Government lunched ‘Structural Adjustment Programme’ which has resulted in a 1800 change in the policies governing the different aspects of Indian economy. In order to impart more vitality and growth to small scale sector, the Government of India announced a separate policy statement for small, tiny and village enterprises. The basic thrust of this resolution was to simplify regulations and procedures by delicensing, deregulating, and decontrolling. Its incredible features are:
(i) SSIs were exempted from licensing for all articles of manufacture.

(ii) The investment limit for tiny enterprises was raised to Rs. 5 lakh irrespective of location.

(iii) Equity participation by other industrial undertakings was permitted up to a limit of 24 percent of shareholding in SSIs.

(iv) Factoring services were to launch to solve the problem of delayed payments to SSIs.

(v) Priority was accorded to small and tiny units in allocation of indigenous and raw materials.

(vi) Market promotion of products was emphasized through co-operatives, public institutions and other marketing agencies and corporations.

On the whole, the Industrial Policy Resolution of 1991 outlined developmental, deregulatory and de-bureaucratic measures and underscored the need to shift from subsidized and cheap credit to a system which would ensure adequate flow of credit on timely and normative basis to the small scale industrial sector.

(g) Comprehensive Policy Package for small scale and tiny sector, 2000

The Government of India announced a comprehensive policy package for the development and promotion of small scale and tiny sector which aims to improve the competitiveness of the sector. The main focus of the policy package was:

(i) The exemption for excise duty limit raised from Rs. 50 lakh to Rs. 1 crore.
The limit of investment was increased in industry related service and business enterprises from Rs. 5 lakh to Rs. 10 lakh.

The coverage of ongoing Integrated Infrastructure Development (IID) was enhanced to cover all areas in the country with 50 percent reservation for rural areas and 50 percent earmarking of plots for tiny sector.

The family income eligibility limit of Rs. 24000 was enhanced to Rs. 40000 per annum under the Prime Minister Rozgar Yojana (PMRY).

The scheme of granting Rs. 75000 to each small scale enterprise for obtaining ISO 9000 certification was continued till the end of 10th plan.

(h) Industrial Policy Packages for small scale industries, 2001-02

Industrial Policy Packages for small scale industries, 2001-02 emphasizes the following:

(i) The investment limit was enhanced from Rs. 1 crore to Rs.5 crore for units in hosiery and hand tool sub sectors.

(ii) The corpus fund set up under the Credit Guarantee Fund Scheme was increased from Rs.125 crore to Rs.200 crore.

(iii) Credit Guarantee cover was provided against an aggregate credit of Rs. 23 crore till December 2001.

(iv) Fourteen items were de-reserved in June 2001 related to leather goods, shoes and toys.
Market Development Assistant Scheme was launched exclusively for SSI sector.

Four UNIDO (United Nations International Development Organisation) assisted projects were commissioned during the year under the Cluster Development Programme.

(i) Policy Package for small and medium enterprises, 2005-06

During the year 2005-06 the Government announced a policy package for small and medium enterprises. The main features of this policy package were:

(i) The Ministry of Small Scale Industries has identified 180 items for dereservation.

(ii) Small and Medium Enterprises were recognized in the services sector, and were treated at par with SSIs in the manufacturing sector.

(iii) Insurance cover was extended to approximately 30,000 borrowers, identified as chief promoters in the small scale sector.

(iv) Emphasis was laid on Cluster Development model not only to promote manufacturing but also to renew industrial towns and build new industrial townships. The model is now being implemented, in nine sectors including khadi and village industries, handlooms, handicrafts, textiles, agricultural products and medicinal plants.

(j) Enactment of Micro, Small and Medium Enterprises Development Act, 2006

In May’ 2006, the President has amended the Government of India (Allocation of Business) Rules, 1961; Ministry of Agro and Rural Industries and Ministry of Small
Scale Industries have been merged into a single Ministry, namely, “Ministry of Micro, Small and

Medium Enterprises.” Consequently the Micro, Small and Medium Enterprises Development Act (MSMED) was enacted, which provides the first ever legal framework for recognition of the concept ‘enterprises’ against ‘industries’ and integrating the three tiers of these enterprises viz. micro, small and medium and clearly fixed the investment limits for both manufacturing and service enterprises. It also provides for a statutory consultative mechanism at the national level with wide representation of all sections of stakeholders, particularly the three classes of enterprises. The Act also makes provisions for establishment of specific funds for the promotion, development and enhancement of competitiveness of these enterprises, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanism for mitigating the problems of delayed payments and simplification of the process of closure of business by all three categories of enterprises.

3.14 ORGANIZATIONS WORKING FOR THE BENEFIT OF COTTAGE INDUSTRIES IN INDIA

The well-known organization like Khadi and Village Industries Commission (KVIC) is working towards the development and endorsement of cottage industries in India. Other premier organizations are Central Silk Board, Coir Board, All India Handloom Board and All India Handicrafts Board, and organizations like Forest Corporations and National Small Industries Corporation are also playing an active role in the meaningful expansion of cottage industries in India. The Department of

Industries and Commerce also implements a variety of programmes to provide financial assistance, technical support and guidance service to the existing as well as new industries. These programmes are implemented with an accent on the development and modernization of industries, up-gradation of technology and quality control. It operates through a network of District Industries Centers (DICs), one in each district, headed by a General Manager.

3.15 PROBLEMS FACED BY COTTAGE INDUSTRIES IN INDIA

Cottage industry is considered for its enormous potential of providing employment. But, over the years, employment may have increased in this industry but the income of the people has definitely decreased as the middlemen offer low prices to the manufacturers but take heavy chunks of money from the buyers. But, it is not only the middlemen and the dealers. The new revised foreign policies, globalization is also responsible for the current condition of cottage industry. Cottage industries in India face dearth of capital and large quantity of labour, which force them to buy capital-saving techniques. Hence, there is an urgent need for implementation of techniques which not only enhances productivity but develops skills of the laborers and meets the requirements of the local market. Endeavors should be directed towards the development of technology so that labours can enjoy a decent lifestyle. Government should also provide subsidiaries for the growth of cottage industries especially in the preliminary stages. The labourers of cottage industry often find themselves fighting against all odds at every stage of their business, be it buying the raw materials or promoting their products, arranging for capital or access to insurance covers, etc.
A. Problem of Raw-materials

Due to their limited resources, the owners of these industries cannot afford to purchase raw-material in bulk. That is why they get low quality materials at high rates.

B. Financial Problems

Cheap and easy finance is not available to these industries. The financing system of government institutions and banks is such that these industries have to complete many formalities and there are so many complications which can be followed by these less educated entrepreneurs.

C. Marketing problems

These industries mainly exist in villages and due to lack of transport and communication facilities they are handicapped in finding suitable markets for their products.

D. Lack of Managerial Talent

Cottage and small scale industries are mostly run by the small businessmen having no training of management and organization. E. Competition with large-scale industries

The main problem before these industries is that they are unable to compete with large-scale industries. The economies of large-scale production are not available to them and therefore they fail to compete with large-scale industries.

Cottage industries are the victims when it comes to attracting the attention of modern industry. This calls for preservation and promotion of cottage industries
through formulation of public policies directed at improving the industry both in context of income of laborers and technological aspects. It is high time now that the Government took some initiatives. Though in every budget, new promises are made, new policies are made. But, so far none of them has benefitted these people much. They are almost in the same conditions as they were decades ago. Though there is a marginal increase in their income but if at the same time, we also notice the increase in the expenditures, then, we can say that in fact they are worse now than they were earlier.

3.16 STEPS TAKEN BY GOVERNMENT TO OVERCOME PROBLEMS OF COTTAGE INDUSTRIES

Keeping in view the importance of cottage industries the government has taken many steps to overcome their problems. The main steps taken are:

(i) The Union Government has set up a number of agencies to help the village and small industries. These include the Small Scale Industries Board the Khadi and Village Industries Commission, the All India Handicrafts Board, the AH India-Handloom Board and Central Silk Board.

(ii) Credit facilities are made available to these industries through a number of institutions. Small scale sector is included in the priority sector for the supply of institutional credit.

(iii) Industrial estates and rural industrial projects have been set up and industrial co-operatives have been organized.

(iv) The District Industries Centres are being established at the district level to provide all the services and support required by small and village entrepreneurs under one roof.
The Industrial Policy Resolution, 1980 has these following provisions for the development of cottage and small-scale industries

(i) Introducing a scheme for building up of buffer stocks of essential materials which are often difficult to obtain. Special needs of states which rely heavily on a few essential raw-materials will receive priority.

(ii) To generate as many ancillaries and small and cottage suits as possible, the government will set up a few nucleus plants in each district. A nucleus plant would concentrate on assembling the products of the ancillary and small scale units falling within its orbit.

(iii) Enhancing the limit of capital investment for small scale and ancillary industries.

3.17 CONCLUSION

The district has diverse geographical and physical features such as lofty mountains and low plains, rivers and cascades, seacoasts and thick forests, sandy soils and fertile alluvium, a variety of flora, fauna and protected wild life. The district consists of all geographical divisions referred to in Tamil literature. There are number of medium, small scale and handicraft business units functioning in the district. A brief profile of study area is given in this chapter. It helps to get better understanding of the profile of the district. Further this chapter also gives an overview about the cottage industry, government policy initiatives towards cottage industries, their problems and the steps taken by the government to overcome the problems.