

CHAPTER –I

INTRODUCTION

1.1 Background of the Study

Industrialization plays a crucial role in accelerating the progress of a country. It offers prospects of a growing availability of manufacture goods, increased employment balance of payment and generate efficiency and modernization of economy.

Nepal is a least developed country in south Asia, region, is preparing for take-off by reducing excessive dependence on agriculture and accelerating the pace of industrial development with greater liberalization of trade and investment. It has pursued the policy of private sector industrial development and achieved some progress in the production of selected consumer goods. Being land-lock country, Nepal has been facing several constraints towards industrial development (Dahal, 2005).

Industrial policy 2010 has been implemented with the multiple objective of developing industrial infrastructure for attracting private domestic and foreign investment in the industry sector. Utilizing existing industrial infrastructures effectively develop and operate specially economic zones with greater emphasis on export promotion and reducing poverty through the promotion and reducing poverty through the promotion of cottage and small scale industries. In the context of Nepal, industry has categorized in five different types. They are micro enterprises traditional cottage industry, small scale industry medium scale industry and large scale industry. Cottage industries are those industries whose fixed capital is below than two millions. Small scale industries are those industries whose fixed capital is below than five millions. Whose fixed capital lies between 5 to15 millions are called medium scale industries. Large scale industries are those industries whose fixed capital is below 15 millions. Fixed capital industries includes the land of industries, physical infrastructures office factory buildings, store room, means of communication and equipment, etc. (Industry Policy, 2010)

Industrial development is a sustained and most dependable pillar of country's economic development. The role of industrialization is crucial in reducing the existing unemployment and under-employment rates by lowering the heavy dependency on the

agriculture sector. Investment in industries will enhance industrial production and productivity, create more employment opportunities, use local skills, utilize means and resources and contributes in substituting import by promoting exports. (Economic Survey, 2012/2013).

Cottage and small industry have played vital role together with medium and large scale industries in promoting sound and speedy industrial growth. Small industry can undoubtedly play significant role in materializing the aspiration of successful industrial revolution in developing countries especially in these countries of south East Asia whose economy is agricultural. The cottage and small scale industries can help to increase export and by their help to maintain the balance of payment. Utilize the local resources through the use and expansion of indigenous local skill and technologies and this make Nepalese traditional and cultural heritage renewed in the international field through the export of Cottage and Small Industries product in the international market.

A total of 13,933 cottage and small scale industries were registered in Fiscal Year 2012/13 while 6,931 such industries are registered by mid March of 2013/14 under Department of Small and Cottage Industries (DCSIs). The total capital investment in industries registered in Fiscal Year 2012/13 has reached Rs. 17.14 billion. (Economic Survey, 2013/14)

1.2 Statement of the Problem

In the context of developing countries, especially in the context of Nepal, cottage and small scale industries play important role in the development process. These industries are important especially in the field of creating employment in the local area where these are located, income generation and preserving and promoting the local traditional arts and culture. Mainly these help to develop the economy of the country.

Having great importance in the development process, these industries are very much important for the country. But they are facing many problems so they are not able to run smoothly and effectively. Some problems the cottage and small scale industries are facing in the context of Nepal are political instability, lack of capital, inappropriate and ineffective government policies.

Through having such types of problems, Cottage and small industries are operating in large numbers in our country. So, they are doing better job in the field of employment creating and income generation which help people to uplift their living standard. So, it is very much important to study the role of cottage and small scale industries in the economic development

On the basis of above description this study or research is going to find out the status of income and employment generation, based on cottage and small industry. So this study will mainly focus on in study of income and employment generating based on cottage and small industry.

This study has following research questions:

- a) What is the situation of providing employment opportunities by cottage and small industries?
- b) What is the role of cottage and small industries in income generation activities?

1.3 Objectives of the Study

The overall objective is to study, role of cottage and small scale industries of Birpur VDC of Kapilvastu district, but whereas specific objectives are as follows:

- a) To explore the employment situation created by the cottage and small scale industries for the people of Birpur VDC of Kapilvastu district.
- b) To analyze the income pattern of the people from the cottage and small scale industries of the study area.

1.4 Significance of the Study

All research and studies have separate significance in separate areas. This study is based on the subject CSIs in Nepal. There are some justifications of the study. This study has been very useful for those individuals and institution that have interest to know about the role CSIs. The rationale behind this behind this study is to make knowledge and provide general information about the CSIs Nepal as well as acquaintance the readers and pertinent authorities with the finding of the study.

From this study, it is hoped that the readers will get adequate and authentic information about the role of CSIs. This research will be useful to governmental and non-governmental organization, agencies and research workers. Likewise the study will be helpful for policy makers and planners because with the help of this study they can understand the actual condition of entrepreneur, employment level, and their income level.

1.5 Limitations of the Study

It is not easy to explain the detail role of cottage and small industries in the country. This study has been focused the role of cottage and small industries in a very small range of geographical area Birpur VDC of Kapilvastu district. So conclusion or generalization of the study may or may not applicable in the other part of nation. This study is mainly based on primary data but secondary data can also be used if needed

1.6 Organization of the Study

The first chapter of the study has been the introductory chapter. This chapter has contained the general background, statement of the problem, objectives of the study, significance of the study, limitations of the study. In the second chapter, some literatures have reviewed. The third chapter includes research methodology. The fourth chapter has been the result and discussion and the fifth chapter includes summary of findings, conclusion and recommendations.

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CHAPTER -II

REVIEW OF LITERATURE

2.1 Introduction

Since review of literature is vital process and backbone of thesis writing, it is necessary to review certain important research works conducted by different institution and authors. It gives us a clear direction and vision as to what is relevant for the researcher in order to get genuine findings.

It deals with the critical examination of various published and unpublished research works related to the present study. Knowledge of related research enables the researcher to define the frontiers of his fields. It helps in comparing the efficiency various procedures and instruments used further review of literature avoid unintentional replication of previous studies and also places the researcher in a better position to interpret the significance of his own results.

2.2 Nepalese Context

2.2.1 Theoretical Review

Different economists have different concepts about Cottage and Small scale Industries. It is different from time to time and country to country.

The terms cottage and small-scale industries have defined differently by different sector. According to Industrial Enterprise Act 2048 and Industrial Enterprise Act 2057, "The traditional industries utilizing specific skill or local raw materials and resources, and labour intensive and related with national tradition, art and culture shall be named as cottage industries." The cottage industry is one which is carried on wholly or primarily with the help of the members of the family either as a whole or a part time occupation. Cottage industries are the oldest industries in Nepal. Mainly family members either as a part-time job operate these industries. In most cases, outside laborers are not employed in its and the productive work, hinges largely on the skill of the craftsman. Since cottage industries in rural areas are greatly associated with agriculture these are conducted many as a seasonal job. Small-scale industries, on the other hand, are operated mainly with the help of outside laborers on the basis

of with the capital investment ranging up to Rs 3 crore is treated as small-scale industries. According to Industrial Enterprise Act 2049 and Industrial Enterprise Act 2057, "The industries with a fixed asset of up to an amount of thirty million rupees shall be named as small scale industries". These are generally operated as a full-time occupation generally in both rural and urban areas. Cloth weaving, blanket weaving, wood carving, furniture making, curio goods making, oil pressing, dyeing and printing, agro-based industries such as milk dairy, juice product etc are some of the most important example of small industries in Nepal (Kharel,2005:239).

By nature cottage and small-scale industries units require much or less capital. As they are relatively more labour intensive, they generate more jobs per unit of investment than the medium and large-scale industries do. Cottage and small scale industries bear by nature certain significant characteristics as noted below.

- i) Cottage industries do not require any special location factors and can, therefore, be started wherever raw materials is available. It means, industries can be operated in a decentralized pattern. The small-scale industries should be established in the particular areas in these have to bear very limited risk.
- ii) Most of these industries are labor-intensive, not capital-intensive. Unlike large scale industries, these do not have to spend much on constructing huge factories, labor, quarters, high technology, massive machinery, store houses, etc. A large amount of capital funds is not needed; the possibility of developing cottage and small-scale industries in a capital poor country such as Nepal is quite possible.
- iii) The feature of cottage industries is the generally absence of social troubles like strikes, deadlocks, lockouts, fear of unemployment and conflict between mill owner and laborers, which are the ugly features of modern large scale industries. The cottage and small industries free from various disturbances on the one hand and other are operated under peaceful family atmosphere.

It is mostly accepted the progress achieved so far in the sphere of cottage and small – scale industries in the country is slow, sketchy and unbalanced. Some of them have virtually disappeared and some are still in the dead-alive position.

The growth and development of cottage and small-scale industries in Nepal may be traced back to the periods prior to the Christian era. During those days, various types of artistic goods requiring high degree of craft used to be produced and exported particularly to India and Tibet. BY the 4th century B.C. and afterwards, Kautilya and several Chinese travelers had referred to this point. The pages of ancient history indicate that the artistic products exported from Nepal were highly admired for their high craft and artistic beauty. Handloom cloths, carpet, curio goods, handmade paper, metal and wooden goods were the leading products of the then cottage and small scale industries of Nepal. Coming to the recent period, the establishment of the Department of cottage and small-scale industry in 1939 is conceived to be the landmark in the development of cottage and small-scale industries in Nepal. The architectural skill of Nepalese artisans can even now be observed in many of the ancient temples, stupas and palaces of the Kathmandu valley and other places.

According to recent information, there are all together 6,932 cottage and small -scale industries registered up- to- 2071 BS. There are different types of cottage and small-scale industries in Nepal. These industries are classified into nine headings.(Industry Policy, 2067)

- i) **Products Industries:** The industries, which produce goods by utilizing or processing raw materials, semi-processing materials, by products or any other goods.
- ii) **Energy based Industries:** The industries, which generating energy from water resources, wind, solar, coal, natural oil, gas, biogas or any other sources.
- iii) **Agriculture and Forest based Industries:** The industries which mainly based on agriculture or forest products such as silk production, horticulture and fruit processing, animal husbandry, dairy industries, poultry farming, fishery, tea gardening and processing, coffee farming and processing, horticulture and herb processing, vegetable seed farming or processing,

tissue culture, green house, beekeeping or honey products, rubber farming etc.

- iv) **Mineral Industries:** The mineral excavation or mineral processing is the examples of mineral based industries.
- v) **Tourism Industries:** Tourist lodging, motel, hotel, restaurant, resort, travel agency, skiing, gliding, water rafting, cable car complex, pony-trekking, hot air ballooning, Para sailing, golf course, polo, horse riding etc.
- vi) **Service Industries:** Workshop, printing press, consultancy service, ginning and baling business, photography, construction business, cinematography, public transportation business, hospital, nursing home, educational and training institution, laboratory, air services, cold storage etc.
- vii) **Construction Industries:** Road, bridge, ropeway, trolley bus, tunnel, flying bridge, and industrial, commercial and residential complex construction and operation.
- viii) **Information and Communication Technology industry:** Press, fm radio station, television, publications, etc.
- ix) **Exportable Industries:** Industries exporting 51 or more than 51 percent of their total production.

In the FY 2013/2014 with a view to provide training in various topics to 15,000 persons for enabling them to get engaged in employment and self-employment activities, a central level cottage and small scale industry(CSIs) center, micro enterprises development programs for poverty alleviation in 22 districts and training program for conflict victims through 27 districts CSIs operation. For the promoting and development of CSIs, demand driven programs including skill development entrepreneurship development, technical counseling credit flow and information dissemination are being conducted in an integrated manner for the uplift of differently able people backward people, Dalits, Janajatis, conflict affected and women.

According to Department of Cottage and Small Industries (DCSIs) in Nepalese context those industries are Cottage and Small scale Industries whose fixed capital is below than five millions. Cottage industries being labor oriented utilize less capital and provide more employment. The sum of two words Cottage and Small industry give us the idea of small type manufacturing unit which is generally handled at household level in which family members' works as full timer and use locally available raw materials. Cottage industries are producing goods required daily consumption. There-fore people are self sufficient in respect to several consumption goods. CSIs make major contribution in the development of developing ted, capital and its mobilization position is weak, and entrepreneurship cannot be promoted as expected. DCSIs have been constituted under Ministry of Industry, commerce and supplies in 1974 to promote and faster various kinds of CSIs enhancing their industrial productivity increment along with making congenial environment for industrial investment in accordance with policy execution for contributing national economy. Previously for the development of cottage and labour intensive Industries Cottage Skill Awareness Office was established in 1940 and have been a mended as DCSIs.

The objectives of DCSIs to develop CSIs in Nepal are as follows.

- To develop CSIs through utilize indigenouse labor skill and resource.
- To create employment opportunity through commercializing local means and resources.
- To promote and foster traditional CSIs along with labor intensive industries.
- To carry out various promotional activities for DCSIs.
- To carry out further related works for sustainable industrial development.
- To develop, expand, protect and maintain CSIs.

Development of micro enterprises, CSIs is a most important in countries like Nepal as these industries from the backbone and foundation of economic development where resources are limited.

2.2.2 Empirical Review

Dahal (2005) in his book has analyzed that industrial base of Nepalese economy is relatively small through, it has gained some momentum. Micro enterprises and cottage industries in informal sector have played significant role in rural economy; they have been instrumental in promoting off farm activities and creating employment and self employment in rural areas by mobilizing local resources, technology and entrepreneurship.

Aryal (2004) in his article has remarked the brochure of cottage industry digest. He says that as small industries don't require large amount of capital, to some extent it can solve the problem of unemployment of the country. It can be started with local raw materials. Products can attract tourists as well. It fulfills the local demands. Political instability, changes in law time to time, competition with products from India due to open boarder also some problems which are being faced by their industries. Dairy industries, Poultry farming, bee keeping, and fruit industries have great expectation. Handicrafts may develop tourism. So, small industries should be encouraged by the government.

Panta & Joshi (2005) in their book have expressed their view pointing out the importance of small and cottage industries. They have said that the establishment of cottage and small industry need less capital, limited raw materials, low technical knowledge and low human capital. Such industries can be established and run by households. Nepalese people are experienced traditional goods. Hence, the cottage and small industry forms 25 percent of the total number of organized industries and contributes more than 50 percent to the total industrial production. The cottage and small industry plays important role in upgrading the economic standard of the development of cottage and small industry and release pressure of population on agriculture. It becomes a supplementary source of income to the farmers. Their condition cannot be miserable during the crop failure. Since the cottage and small industries are more labour-intensive, more people get employment

Ghimire (2013) in his Master's thesis has analyzed that cottage industry is a sector to generate national income in under- developed countries which contributed

significantly to the progress of economic development. He explains the situation of CSIs in Dharan Municipality, has some objectives which are as follows:

- To study the problems and prospects of labor employed in CSIs.
- To analyze the problems and prospects of production and marketing of CSIs.
- To suggest recommendations for the enhancement or promotion of such industries.

His study depends upon both primary and secondary data, where primary data are collected through questionnaire and secondary data are obtained from CSIDB, FINCCI, CBS, and DCSI. He used descriptive and analytical research design where he included data from 1990 to 2006 of DCSI. He found out that 39 percent are employed of the study area. 44 percent industries are financed from bank and financial institution and remaining 56 percent are financed from local money lenders and other. 56 percent CSIs use raw materials from local source. 44 percent of production of CSIs are affected by limited market 26 percent of production of CSIs are affected by unskilled manpower and remaining are affected other problems. 48 percent entrepreneurs are highly educated , 41 percent have secondary, 7 percent are literate and 4 percent have primary level education.

Adhakari (2010) in his Master's thesis has analyzed that cottage industries being labor oriented utilized less capital and provide more employment. Besides this more important contribution of it is to provide the shifting or surplus labor from land which is being a burning problem of most of the less developed countries of SAARC countries. Adhakari in his study explains the problems and prospects of CSIs in Palpa District, has some objectives which are as follows:

- To study the problems and prospects of labor employed in CSIs in Palpa District.
- To analyze the problems and prospects of production and marketing of CSIs in Palpa District.
- To investigate the problems and prospects of financial resources in CSIs.

His study depends upon primary data. He used descriptive and analytical research design. He found out that labor employees in the CSI are selected from family related person and there is limited chance for free competition. It decreases the chance of skilled manpower which ultimately is harmful for entrepreneurs. Industries have started through limited financial resources and most of the entrepreneurs have started through limited financial resources and most of the entrepreneurs have been taken lone from local money lenders which very conservative. Local raw materials are using in the CSIs which not only increase the chances of availability of raw materials but also promote the mass people. More than half industries earn more than Rs 10,000 per month.

Bhattarai (2011) in his Master's thesis has explained that the CSIs plays important role in upgrading the economic standard of the development of CSIs and release pressure of population on agriculture. It becomes a supplementary source of income to the farmers. They cannot be miserable during the crop failure. Since the CSIs are more labor intensive, more people get employment. His study has some objectives which are as follows:

- To analyze the problems faced the biscuit industries during the production process in the study area.
- To examine the prospects of the industries.
- To bring for the socio-economic status of the workers working on those industries.

His study depends upon primary and secondary data. He used analytical and descriptive research design. He finds out that maximum labors employed in the CSIs are selected from family related person and there is limited chance for free competition. Higher percentages of entrepreneurs are investing their profit to promote the same industry. It shows that there are at least some incentives of profit and a large number of industries are running with profit. CSIs of the study area are using existing modern technology. But industries are suffering from limited market and skilled man power, price support facility is also the need of the CSIs of the study area.

Paudel (2011) in his Master's thesis has analyzed that small industries don't require large amount of capital, to some extent it can solve the problem of unemployment of the country. It can be started with local raw materials. Products can attract tourists as well. It fulfills the local demand. His study based on specially two objectives, are as follows:

- To identify the current situation of CSIs in the study area.
- To study the effect of CSIs on employment, education and health in study area.

His study depends upon primary as well as secondary data. He used descriptive and analytical research design. He concluded that only few female labors are involved in the CSIs of the study area. The labor who engaged in the CSIs of the study area, all of the labors are suffering from any one disease and cut of these labors. Most of the labors check up their health from the government hospital. The main problem is that most of the labors are working more than 8 hours and another problem of CSIs of the male and female salary discrimination.

Bastola (2007) in his article has explained that the frequent bandhs in the eastern Tarai have led to an acute shortage of raw materials in Sunsari forcing more than 70 units to shot down. He has find out that about 50 of these unit have been forced to close down due to the repeated strikes by workers and the rest have closed down due to shortage of raw materials. If the situation of ongoing bandhs continues, big industries in Sunsari will be closed down. 20 rice mills, 16 brick kilns, 2 saw mills and 24 cottage industries have been closed down due to scarcity of raw materials. Statistics from the last three months reveal that at least 176 registered industries in Sunsari district and only 126 are still operating. Most of the 176 industries are on the verge of closure. According to him, adding that transportation of raw materials is difficult due to frequent bandhs. How can the plants be run in such a situation? The plants are notable to send their productions to the market also. The dependents of hundreds of factories workers are facing unemployment problems due to the closure of the factories. Therefore he has suggested that the political issues are to be solved and stop of these above mentioned. He has focused on the government to find solution also of the current situation as soon as possible.

Ojha (1981) in his Master's thesis deals with significant role of cottage in the overall economic development of the economy. He has defined his study to the following objectives:

- To study the role of cottage industry in our economy.
- To evaluate the performance of cottage industry in Nepal.
- To evaluate the Gov/N policy and program adopted for development of cottage industry.

This study mainly depends upon the analysis of secondary data. And his study is purely descriptive one. He has shown that the role played by cottage industries in the economy is of great importance. However, government supports in the form of finance and in the form of technical for market facilities in Nepal. Therefore, he has suggested that effective training program along with adequate financing assistance must be provided by the government to these industries. Besides this employment opportunities for trained person must be made available. Expansion of market for the product of these industries is quite essential.

Gautam (2007) in his article has pointed some problems that increased self-employment, uses local labor, skill and resources, easy to establish, basis for foreign trade, preservation of art and culture, source of foreign currency, preserves industrial conflict and low pollution. On the other hand, some problems pointed by Gautam are as, lack of capital, lack of infrastructure lack of education and training, lack of raw materials, lack of proper marker, lack of fuels, lack of peace, political conflict and high competition.

Gurung (2008) in his Master's thesis found that CSIs are facing the problem of labour employment marketing and finance. Accordingly, CSIs are seen very fruitful for the study area. Gurung found that there are many problems and in the same time, many prospects are also seen in CSIs. Most of the CSIs have the problem of capital, skilled manpower and limited market. And the researcher has suggested as:

Locally used raw materials will certainly help to produce local goods and services and will be certainly used by local people. All these make production far better and

efficient. In case of marketing, if industries will use local vehicles properly, these will help in marketing process. According to Gurung, to solve the main problems, CSIs have to use local market, training should be given for unskilled labor, manpower, entrepreneurs have to use profit in the same industry, and this will certainly either solve or minimize the problems. Entrepreneurs also have to take advice from the knowledgeable persons to solve their problems.

Patel (2005) in his Master's thesis has used descriptive as well as analytical research design on the basis of primary and secondary data for the field work. The main objectives were as to analyze production and marketing of Karki Dhaka Udhyog, to analyze the labour input of Karki Dhaka Udhuog and to analyze about the main problems of Karki Dhaka Udhyog of Syangja district. After the complication of his study, it was found that there was high competition through the establishment of homogeneous industries. Karki Dhaka Udhyog is bound to import necessary raw materials from abroad. There was also the lack of trained and skilled manpower. There were different prices in different industries. Imported final goods are another huge problem.

Panta (2006) in his Master's thesis argues that small and cottage industries are also the foundation stone of large scale industries. The development of small and cottage industries increase the income and purchasing power of the people. And it helps for maximum utilization of local resources, moreover, the small and cottage industry plays important role in preserving traditional art, skill and culture. It has helped to introduce Nepal and its tradition and culture in different countries, similarly, the small and cottage industry can contribute n import substitution, increase foreign exchange earnings and increase the national productivity. This ultimately assists in improving the balance of payment situation of the country as well as it also helps to preserve the environment.

Sherestha (1985) in her Master's thesis has discussed that a cottage industry is a system of production which takes place in private homes rather than in a factory with the tools and other means of production individually owned. Often products produced by a cottage industry are handmade or/and unique in some distinctive way. Cottage industry products are often identified with an area or even with a specific family. Often a cottage industry is run by members of single family, although this is not

necessarily the case. A cottage industry can also be a loosely or informally organized group with each member working out of their own home. While there is often a specialized interest in the non-mass produced products of a cottage industry. Cottage industry often faces difficult challenges in distributing its products.

Her study depends upon two objectives which are as follows:

- To do several surveys of wearing units of Kirtipur.
- To highlight the picture of production, employment and marketing.

Her study depends upon the primary data which are collected through questionnaire method. She has found out that about 80 percent of the loans are provided by master weavers. And rests are provided by account weavers and co-operative society. She has also found out that the amount of variable capital is somewhat higher than fixed capital. 35 percent of the units are facing the problem of labour because of low rate of wage. The percentage of female workers in the total employment structure of the wearing units is 90 percent. Market for handloom products is quite limited therefore for half of the year the units are closed. These units are utilizing only 20 percent of the capacity. Almost all the units are suffering from the problem of quality control. Therefore he has suggested that these wearing units are to be re-organized. An adequate credit facility is to be provided to the units. The rate of wage is to be increased to solve the problem of labour scarcity. Market expansion is also essential for the products of these industries. Quality control measures are to be adopted by means of introducing some mechanical power

Karjit (1997) in his thesis has viewed that the cottage and small industry is also foundation stone of large industries. The development of CSIs increases the income and purchasing power of people. And it helps maximum utilization of local resources. The objective of his study is to find out the problem and prospects of handloom textile industries in Kathmandu Valley. For this, he focused on the following objectives.

- To assess the existing financial, production and marketing condition of the handloom textile industries in the Kathmandu Valley.

- To find out the problems being faced by these industries.
- To evaluate the prospect for development of such industries.
- To recommend measures to overcome the problems.

The findings of his study are, among various types of products clothing for shirting in production is highly qualified than other. All the industrialists and people engaged in this sector used to buy raw materials from local market. Similarly labor cost and the standard of labor available is considered moderate. Among the total only 55 percent of available capacity is utilized. The tools and equipments used in present handlooms power looms and semi auto looms are favorable sources of finance as own investments of the people are running in small scale that is why they are in positive to finance then sellers. But the present availability of finance is not considered enough. There enlist the problem of marketing of products is not high. It is just moderate because of low quality of raw material. Most of the products are consumed in local market. There, the achievement of marketing targets is extremely satisfactory level.

Sharma (1982) in his thesis has made an attempt to identify the problems and to recommend the ways out there. The main problems identified by Sharma are; the trainings conducted by the concerned government institution have not able to create the business. The training is being given for training needs and desire of the targeted groups. There is no effective financial assistance to the CSIs. The loans are granted only against collateral. In addition, there is no separate financial institution responsible for loan flowing to CSIs. The genuine entrepreneurs having no recognizable property have no access to the bank loan. The already trained manpower has been found idle because of not having even a minimum amount for investment in the business. The instructors are old and have no idea concerning new cannot be always valid. The lack of market is one of the big problems for Nepalese CSIs. Because of the lack of adequate market, a series of small and cottage industries have already been closed. There is no institution to provide the suggestion so that in terms of quality products and thus the products have not been able to compete with similar foreign products. There is an inadequate fiscal and non- fiscal incentive for CSIs. CSIs have to compete with similar foreign foods in terms of price and quality.

With a view to searching the way out for above mentioned problems, Sharma has made recommendations that the training should not be conducted for training is sake. It should result in the increased number of the business. For this, either training instructions themselves must have some funds to invest in the trainees potentials. Business of provision should be made so that the trainees could easily get loan from bank after the training. Further, the training should be designed keeping in mind that the need and interests of the target group.

Khanal (2003) in his thesis has used descriptive as well as analytical research design on the basis of primary and secondary data drawn some key information. The study has found following findings;

Nepal is gradually going for the industrial development. There are many problems to run and establish small and industry in Nepal. Such as, unfavorable geographical condition, poor infrastructure development, lack of capital and new technology. Being agricultural country, Nepal cannot utilize the agro- products as the raw materials in agro-based industries. So, there is necessary to provoke for its further development about the small and cottage industry in the study area but its size of growth is in increasing trend as for the entrepreneurs of the study area. It is said that promoters are not only involved in small and cottage industry in this study area but also in other sectors.

Most of the small and cottage industries have low capital investment ratio because of the lack of capital. And it is in constant position. The availability of local raw material is satisfactory than imported from far and far. As well demand of agro- product goods is normal in market. On the one hand, there is the lack of skill manpower and on the other hand; they are still in traditional technology.

Furthermore, among the sampled small industries, 76 percent industries are providing job opportunities to less than five percent, lesser working time and salary are also not the same in that area. These workers, who are involved in agro based industry, are getting salary in subsistence level. That's why; workers are compelled to live far from the modern facilities.

Lalchan (2006) in his thesis has identified the problems faced by the workers and suggests appropriate measures for improvement in employment generation instant

noodles industry in Phokara valley. Not only this, S. Lalchan has made following recommendations on the basis the study;

As the number of unskilled labours is high, the provision of regular training programs should be made to the workers of low level of skill in order to increase their proficiency which is the assets of an organization. The level of income in these industries is quite inadequate even to maintain the subsistence living standard. Therefore, the government has to take initiatives to persuade the owners to raise the wage rate so that the workers may maintain the subsistence living standard. Various types of facilities which are lacking in above mentioned industries should be provided to the workers. The physical condition of the working place of these industries must be improved. Due to the low bargaining power, workers are easily exploited. So, the concern department should give attention to improve the condition of workers. Trade unions of instant noodles industry's laborers must be organized and master system must be eliminated.

2.3 International Context

2.3.1 Theoretical Review

Different economists have different concept about cottage and small scale industries. It is different from time to time and country to country. The western community thinks that labour intensive industries are cottage industries, where as Far East Asian community trends the traditional skill oriented or indigenous raw material based or small units of industries are cottage industries. The concept of Indian community found that some specifies or listed items are classified as cottage industries. So, in India, the cottage industry could not be classified by either technology of product of by units of investment.

Global has been quite critical and is gaining new dimension in recent days. A lot of studies on CSIs issue have been carried out in the international level. CSIs are universal phenomenon that no country has been free from the problem related to it. However, there is reviving a worldwide attention on controlling the problems of CSIs in recent year, the condition of CSIs has been still critical. Many of the socio-economic researchers have studied on CSIs issue different countries of the world. Various institutions, agencies scholar too have defined, interpreted and come into

conclusion regarding CSIs. But the Global literatures related to CSIs are too much hard to find and also mention in the short research.

Many historians and economists view the period after the Second world Industrial Revolution as a paradigmatic example of a slow transition to a new economy after a technological revolution. The quantitative model of that transition has been presented, which generates what many see as the three main features of that paradigm; a productivity paradox, a slow diffusion of old technologies, and ongoing investment in old technologies after the revolution. Generally, two characteristics of the model are particularly important in generating this result; learning must be substantial and provoked, and built-up knowledge in the old economist must be large. The data are used on the life cycle of US manufacturing plants to argue that leaving about plant-specific technologies is needed substantial and protected and point to the slow diffusion of steam before the Second World Industrial Revolution as indirect evidence consistent with the historians' claim that manufactures had built up a large stock of knowledge with existing technologies before that revolution.

The paradigm may not fit all transitions however, the same model may not be applied in the same way on the effects of the more recent IT revolution because of the lack of data needed to measure learning and built-up knowledge in business organizations, the type of productivity unit that faced the choice of adopting the new technology. But the model has provided some insight into how the recent transition may differ from that after the Second World Industrial Revolution. Various experiments suggest that a transition to a new economy after a major, sustained increase in the pace of technical change will not always be slow, as it was after the Second world Industrial Revolution. The speed of transition will depend on the existing pace of technical change when that pace is quite fast, the transition will be also.

Clearly, those, no simple analogy exists between the transition Second World Industrial Revolution and the transition after the IT Revolution. Instead, the main lesson from this analysis⁰ is that the nature of the transition after any technological Revolution depends in an important way on its historical content. The Second world Industries Revolution happened to come at a time when the pace of embodied technological change was relatively slow.

Recent years have seen a major resurgence of small business throughout the developed world. The countries like divide Russia and Eastern Europe are prizing such skills very high. The first piece of writing about the small business discovered was of about more than 4000 years ago. This writing is about loaning from a bank for small business with terms and conditions. Since then, the small business people have been the backbone of most economies providing products and services to the consumers. Small business flourished in almost all ancient cultures. The Egyptians, Arabs, Babylonians, Jews Greeks and Romans contained a substantial population of small business. Their products and services, however, were often of poor qualities. Consumers were cheated and degraded. The result was that small business become object of contempt. To protect the customers from such unscrupulous traders, HAMMURABI, the king of Babylon introduced the first business law. Despite many successes the Greek and Roman historians virtually ignored the role of small business and talked more about the other things. Yet it was largely through small business that the traders by doing business in other countries spread law, religions, and philosophy and basic sciences. In the centuries that followed the small business, the religions held small business held in the higher esteem than ever before, small business remains overshadowed by professions such as medicine and law.

When Adam Smith published 'Wealth of Nation' in 1776, he was describing an economy in which local small business was virtually being the only economic entities. Indeed, the era of local economy was the heyday of small business.

The best model of small industries in our region is considered to be of India. This model is defined the SMEs development through the development of infrastructure. In the year 1938 national planning committee 'NPC' was set up and its general secretary Mr. K.T. Saha made the definitions of cottage and small-scale industries. The various definitions since then are in practice having different variables as manpower, capital, assets value etc. The definitions are as under.

The cottage and small industries may be defined to be an enterprise or series of operations carried out only by a workman skilled in the craft on his own responsibility, the finished products of which he markets himself. He works in his own home with his own tools and materials and provides his own labor. These workers are mostly hand labors and having personal skills with little or no aid for

modern technology and machinery they work in accordance with the traditional technique.

Different countries defined these categories in their own way. In USA the small industry was defined as " a business qualifies a small if does not dominates its industry and less than 100 in the employees." In the UK small firms were defined in 1969 as "entities having less than 200 employees. It should be run by its owner and should have a relatively small share of its market. In France, it was defined as "a company with less than 10 employees, representing over 90 percent of all businesses and employing one sixth of the total work force. In Japan which is considered to be a landmark in the history of SME's the term small industry is used in a much wider context. The term smaller enterprises refer to such companies with a capital of not more than five million yen. Companies with not more than two hundred personnel regularly employed. (Wikipedia.org).

In Pakistan cottage or household industries hold an important position in rural set up most villages are self-sufficient in the basic necessities of life. They have their own carpenters, blacksmiths, potters, craftsman and cotton weavers, many families depend on cottage industries for income. Cottage industries have also gained immense importance in cities and towns. There is great demand for hand-woven carpets, embroidered work, brassware, rugs and traditional being. There are also considered important export item and are in good demand in international market. In Pakistan these industries are classified into 10 categories they are, carpet, textiles, embroidery, jewelry, ceramics, cutlery, woodwork, sports goods, large scale surgical instruments and other small scale industries. ([http//en.Wikipedia.org.com](http://en.Wikipedia.org.com))

The government is fully aware of the potential of CSIs for industrial development. The following organizations have been established to develop this sector of economy

- Pakistan Small Industries Corporation (PSIC).
- Sindh Small Industries Corporation (SSIC).
- The Small Industries Development Board (DSIB)
- The Directorate of Small Industries Baluchistan (DSIB)

In the developing countries of Asia, African and Latine America, CSIs have also a crucial role to play because of their potential contribution to employment creation, improvement of income distribution, poverty reduction, export growth of manufactured products and development of entrepreneurship manufacturing industry and rural economy. in Bangladesh small industries means an industry in which the value/replacement cost of durable resources other than land and factory buildings in a between(.05 to 15 million) take and employment generation is not more than 50 persons. Cottage industries means family an industry in which members are engaged part-time in production and service oriented activities. (<http://bdaws.minlaw.gov.bd/pdf>)

European Commission established a new definition of SCIs based on four quantitative criteria

- The total number of employees in the enterprise;
- The annual value of the turnover;
- The total of the assets in the enterprise balance;
- The degree of independence of the enterprise or the ownership over it;

2.3.2 Empirical Review

Baruan (2000) in his book examined that small industries play a very vital role even in industrialized and advanced countries like the U.S.A., U.K., Canada and west Germany and more particularly in Japan. This sector is considered to be an engine of growth especially in developing country like India due to their contribution to income generation, employment GDP and export earnings. The western community thinks that labor intensive industries are cottage industries where as Far East Asian treats the traditional oriented or indigenou raw materials based on small units of industries are cottage industries. If we consider the concept of Indian communities it is found that some specified or listed items are classified as CSIs.

UNIDO (1978) in its report has conducted a study based on evidence from a number of developing countries, indicates that small worker tend to achieve a higher productivity of capital than the larger, more capital intensive enterprises.

World Bank (1978) in its report has shown that all important requirements of more jobs and higher incomes are met by rural non form activities. The study suggests that these activities which have capital labor ratio of less than \$50 at 1969 prices, deserved high place in any employment oriented industrial strategy.

According to ECAFE: "Cottage industries are those industries which are running fully or partially with the help of family members."

Dhar & Lydall (1961) in their book have explained that the cottage industries are mainly traditional industries which produce traditional goods with the traditional techniques. Examples of cottage industries are khada industry, handicrafts, handlooms cane and bamboo industries pottery black smithy etc.

Ahamed (2004) in his book has suggested that CSIs are labor-intensive and provide employment to 80 percent of the industrial labor force. This reduces the unemployment and offers opportunities for self employment. Traditionally woman is not encouraged to work outside their homes. CSIs like carpet, weaving, candle market and handicrafts can be established in houses and women can be gainfully employed. This increases the active labor force. These industries also meet the local demands for industrial goods and save foreign exchange spent in import. There is a large variety of handicrafts available in Pakistan. They are not only aesthetically pleasing items, but they are also serve the needs of local people, some of these industries produce important export items.

Pandey (2013) in his article has introduced that small and cottage industries are those industries whose capital is supplied by the proprietor or through means like partnership or from financing agencies set up for this purpose etc. Those industries generally use power driven machines and also employ modern method of production, engage labor or wage, produce for expanded market. Their work pattern is on permanent basis. Such industries can be managed with little resources and in terms of returns provide much better result. Cottage industries, on the other hand also called household industries, are organized by individuals with private resources and with the help of family members and pursued as full time or part time occupation. The capital investment is small and the equipments used are small. These industries generally use

locally available resources, raw materials and indigenous skills. The output produced in each industrial unit is generally sold in local market.

Leibenstein & Galenson (1955) in their article have discussed that a cottage industry is a system of production which takes place in private homes rather than in a factory, with the tools and other means of production individually owned. Often products produced by a cottage industry are hand-made and/or unique in some distinctive way. Cottage industry products are often identified with an area or even with a specific locality. It is not necessarily the case. A cottage industry can also be a loosely organized group of workers working out of their own homes. A cottage industry often faces difficult challenges in distributing its products. They also took an opposite stand and tried to show that labor-intensive techniques might generate immediate output but little surplus since the wage bill would be large. Economic development preceded investment but the use of labor-intensive techniques leaves little surplus for investment. Hence according to them, use of capital-intensive techniques would be more profitable than the minimizing of the wage bill.

Mubvami & Waste (1991) in their article have explained that small-scale and cottage industries in developing countries account for a large share of employment and in many cases of production. Recent growth of these industrial classes has been in response to high labor availability and low financial resources. These typical small-scale and cottage industries run by simple and primitive manufacturing methods. Equipment is often second-hand and the manufacturing process is inefficient as compared to larger industries.

Rastogi (1980) in his thesis has analyzed that the CSIs are an integral part of not only the industrial sector, but also of the country's economic structure as a whole. If small-scale industries are properly developed, they can provide a large volume of employment, can raise income and standard of living of the people in lower groups and can bring about more prosperity and balanced economic development. In his study he has some objectives which are as follows:

- To study the structure and growth of CSIs in the state.
- To examine the problems of CSIs related to finance, marketing, etc.

- To examine the level of contribution of these units in providing employment and income opportunities to the people.
- To analyze the impact of government policies towards the development of CSIs in the region.

He also used both primary and secondary data. He used simple statistical techniques to analyze data such as percentage, mean and coefficient of correlation. According to him there are hundreds of items which can be produced in CSIs more economically than in large industrial sector. He also concluded that the greatest problem faced by the small entrepreneurs was non availability of adequate financial assistance. More over the small enterprises also face problems relating to the acquisition of raw material marketing of products and technological and administrative problems.

Joshi (2002) in his book has explained that small scale industries generated employment on a large scale. These industries by men with average skill and being essentially labor intensive and utilizing locally available resources. The CSIs in the district are producing variety of product for common consumption. He concluded that the Dakshina Kannada district could be treated as industrially developed mainly because the CSIs sector made rapid strides here. This industry has brought far reaching socio-economic changes in the district among the poor people by creating large scale employment and income. It brought economic independence and confidence among the poor people in the district. In his study there is categorized eight types of CSIs, they are agro based, forest based, mineral based, textile based, chemical based, animal husbandry based, building materials, and others. He also find out that 82,575 people are employed.

Thaga (2013) in his article has analyzed that the term CSIs is used when products are manufactured on a small scale. Cottage industries are of cultural economic importance. They keep the age old traditions alive and also provide employment to a number of people. Support should be provided by the community to prevent exploitation and further develop these industries as they face stiff competition from other economies. In the over populated countries like India, the only way of fight the monster of unemployment is the development of CSIs. They will bring about an equitable distribution of wealth. CSIs have a special claim for consideration in that

they are the local investments through which the decentralization of industrial production can be achieved.

Etehefia Ogherovwoke Stephen (2013) in his article states that small and cottage industries are mostly managed by owners and relations. The financing in most cases is normally provided by the owners. The owners fail to realize the importance of external sources of capital in order to affect expansion of the business. In most cases the owners are members of the family and friends. In his study, some objectives are as follows:

- To enlighten Nigerians on the contribution of SCI to the growth economy.
- To encourage Nigerians to be their own boss and in the same way help eradicate poverty in Nigeria.
- To encourage indigenization of industries.

He used secondary data and he used correlation and regression techniques to analyze data. He found out that the main sources of funds for small scale enterprises in Nigeria are personal savings, borrowing from friends and money lenders. He also concluded that

- Small scale industry contributes to the growth of national economy.
- The average employment generated by small scale industry in Nigeria is 22% of total employment.
- There is a strong positive relationship between small scale industries and employment.
- There is a significant relationship between small scale industries and employment generation.

Juneo (2008) in his research article has shown the impact on economic development of small scale industry. He expressed that Pakistan's economic development policies favored capital-intensive technology choices, ignoring the fact that it would create unemployment. Even the subsidized credits for small enterprises stimulate more capital-intensive technologies. This situation is further compounded by the fact that

Pakistan ranks relatively low amount other Asian countries in such areas as per capital number of science and technology personnel and low research and development. He concluded that, indeed, it is crystal clear that in Larkana state area, the most of owners of small scale industries are family concern with centralized management structure. This gives the picture of highly unprofessional with very little emphasis on the professional qualified management. The over Whelming majority of firms representatives are conservative oriented because they are not capable to use the scientific methods of financial management such as balance sheet, return on investment and breakeven analysis.

Malpani & Bapan (2000) in their article have analyzed that small scale industries played very important role in the development of any country. Industries has always been supported with various opinions such as employment, equality, latent resource, trickling effect, insurance agent social tension, distribution effect, creation of social eco-system and decentralization. A small scale or cottage industries as an enterprise or series of operations carried on by a workman skill in the craft on his responsibility, the finished product of which he markets himself. He works in his home with his own tools and materials and provides his own labor or at most the labor of such members of his family as are able to assist. The objectives of their study are:

- To evaluate the various changes in present scenario.
- To evaluate the performance of small-scale industries of Indore taking out the parameters like employment, generated export, no. of units production, investment etc.

They used primary and secondary data and use descriptive research design. They concluded that:

- The small scale industrial sectors have recorded significant growth and impressive performance.
- The present study throws light on the changing dimensions in CSIs like various policies and schemed by the Govt. to promote the industrial sectors.

- In last decade the entrepreneurial ability has much improve. Various new and advanced technologies have been adapted by the industries for the overall growth of our nation.
- Educational view of the people in present scenario.
- Management of all the sectors like finance, purchase, sales, marketing, advertising is more powerful in comparison to the past.

Tyagi (2002) in his thesis has analyzed that small-scale industry were deeply affected by a globalization of the markets. Globalization has rapidly gained momentum as a result of certain factors. They are disseminating information have resulted in reduction of cost and complexities of going global. The world markets are now open to new products and services and the small and cottage industries which were earlier limited by cost considerations are open to export opportunities. The main objective of his study is to highlight the importance of CSI in Indian economy. He concluded that development of CSIs has been given a lot of emphasis in India because of number of avowed objectives such as promotion of entrepreneurship, generation of employment opportunities, development of decentralized development, prevention of concentration of economic development, utilization of local resources, protection of interests of artisans, preservation of draftsmanship and heritage of country etc.

Agrawal (1980) in his book has argued that in India, unemployment and under-employment are proliferation economic disaster and where most of the entrepreneurs are capable of making only small investment and where there is lack of sophisticated machinery and modern technology, small industry which is labour intensive and capital saving plays a vital role in the overall economic development in the country. Asian community treats the cottage industries as the traditional skill oriented of indigenous raw materials based or small units of industries as cottage industry. In India, the cottage industry could not be classified by either technology of production or units of investment. Indigenous raw material based industries are called CSIs.

"Cottage industries have certain peculiarities which make them forth coming appropriate for the state. Apart from the fact that these require a small amount of capital, they can be established everywhere and anywhere in the country. Besides they can be setup at the every door improve the workers mostly living in villages."

The government of India is actively trying to promote industrial growth by assigning important role to the sector in the attainment several major objectives of five year plans. Two millions persons are engaged in CSIs of which nearly five lakhs work in the handloom industries alone. Many parts of India produce different types of object in wood, both ornamental and utilitarian. Among them the delicately carved figure of God and Goddess in sandalwood from Karnataka, table tops, chairs, trays, plates and walking sticks from Maharashtra are worth mentioning. Ivory carving is one of the most ancient crafts in India which continuous to be one of the important export items.

Shrivastava (2002) in his research study has suggested that on GICI (Government Institution of Cottage Industries) is mainly based on descriptive and analysis carried out about some of the typical products of Sikkim. GICI has identified the problems is not properly promoted and therefore, the number of employment in this institution is decreasing. Since the bulk of the technicians are master weavers works for middleman and bargaining power is weak and get low margin of profit. The GICI have been facing the problems of finance, skilled manpower and marketing. The government of Sikkim has given neither priority nor protection to handicraft products and its marketing as a base for industrialization. The export procedure of handicraft products is very complicated. There are no internationally accepted methods of payment, advance payment or letter of credit system. Rather there are hurdles as regard to the foreign exchange facilities. There is the shortage of capital among handicraft artisans and no availability of the credit without collateral. The industries are closing their operation due to unavailability of woods/raw materials.

Based on his research he recommends that program should be formulated keeping in mind the dwindling performance of cottage industries. Training program should be launched in various parts of the districts. Co-operative credit societies should be organized to flow the loan to the industries as such and also to facilitate the marketing of the product. Modern technologies should be introduced keeping in mind the present status of quality and quantity. Separate training and research institution for handicraft sector is needed. For this, manpower should also be developed through training. It needs to establish of mechanical tools development center for the production of the handicrafts is indispensable for increasing, the production capacity of handicraft industries in Sikkim.

Atkenson and Kehoe (2007) find that any definitive analysis of the effect of the IT Revolution can be fleshed out in a quantitative model such as ours, some questions must be answered. Where are the new technologies embodied? How long is the period of learning after they are adopted? And how much built-up knowledge do existing organizations have with their current technologies? With regard to information technologies, questions like these are not easy to answer quantitatively, but it has been suggested how theory can be used to guide the search for these answers.

Many writers in Nineteenth Century, especially of England, observing the rapid growth of factory employment, predicted hopefully or fearfully that CSIs are indispensable for economic and political scene. Karl Marx asserted that workers would in time become so numerous and employers are so few that the overthrow of the employers would be almost automatic in industries. The trend projected by Karl Marx, however has not materialized either in England or elsewhere.

The literatures are observed carefully and concluded that so many researches and works had been done in different titles and sectors but actually related to CSIs are not found properly. It was very difficult to find the literature related to the role of CSIs especially. It means whether there is limited research in this field or the works are not put properly or misplaced. Lots of literatures are found in different sectors but they have no importance for the present study. Only a related literature was found hardly which in conclude below as:

This chapter includes the major findings of the different studies in the one hand and on the other hand, provides what is left to investigate.

Lots of literatures have been review related to the CSIs either of global overview or Nepalese context in the time of this study. Literatures of different countries give the different conclusions about CSIs in particular countries. Nepalese literatures also have been given some conclusions related to the CSIs.

According to the literatures reviewed, studies are based on so many topics done in different part of Nepal. Particularly, what this study aims to investigate is not found. Some are likely to be nearer but are not related with the ethics of the present study. Those are either in varied title or not in a little depth. On the other hand, study about the Role of Cottage and Small Industries in Kapilvastu district is not found any one

else. So, as per the objective of the study, it is necessary to study about the Role of Cottage and Small Industries in Kapilvastu district. It shows that the present study on the topic "Role of Cottage and Small scale Industries"; A case study or Birpur VDC of Kapilvastu district.

2.3 Research Gap

Most of the previous researches have described that maximum number of CSIs are running by family members only but in this research. It has tried to show that CSIs have been running by family members as well as labours also. It means that entrepreneurs have hired labors to work the activities of CSIs. Similarly previous researches have concluded that most of the CSIs had used only raw materials but this research has a different case, they have used local raw materials also. And most importantly, the gap between this research and previous research is in objective and findings. All the previous research based on the problems and perspectives but this research is based on role of CSIs in creating employment and income generation.

CHAPTER -III

RESEARCH METHODOLOGY

3.1 Research Design

This research has been designed in exploratory methods. So it tries to explore the role of small and cottage scale industries in the study area, hence the present study is descriptive and analytical in nature which covers only the Birpur VDC of Kapilvastu district.

3.2 Nature and Sources of Data

The present study is based and on primary and secondary data. The primary data have been collected by field survey through questionnaire. Similarly, secondary data have collected from various published and unpublished materials by related organization such as VDC profile of Birpur, DDC profile of Kapilvastu and so on.

3.3 Primary Data Collection

The primary data has collected from the field survey through various techniques such as questionnaire, interview with key informants and observation method. The structured questionnaire is asked directly to the entrepreneurs and employees to get information about the contribution of small and cottage industry.

3.3.1 Structural Questionnaire

The structured questionnaire is used in interview to the sampled entrepreneurs and employees about their income and life standard or economic condition as well materials availability and financial condition.

3.3.2 Interview with Key Informants

The present study has also conducted by discussing with the entrepreneurs, VDC representatives and the other business persons and local people and so on. To respond the concerns about the contribution of CSIs to employment generation and income.

3.3.3 Observation

Observation method has used to collect the observable information such as industries technology and production, number of employees and facilities given by entrepreneur for workers. It has also used to know the benefit received by society from each industry. The data collection through observation has used to support for analyzing the role of CSIs.

3.4 Secondary Data collection

The secondary data has collected from various published and unpublished materials by related organizations such as VDC profile of Birpur VDC, DDC profile of Kapilvastu district, and DCSI and so on.

3.5 Sampling Procedures

The universe of the present study comprises all the CSIs of Birpur VDC. The total number of CSIs is 60 which were identified from VDC profile and field survey. Among them 30 percent was selected for sample size i.e., 18 industries was selected. Then selected industries were taken through purposive sampling method where one restaurant, two tailoring , two beauty parlor, one rice mill, one oil mill, two furniture, one dairy , one fishery, one poultry farm, one cotton, one grill, one doll, one candle, two jewelers are selected for study. Employees are selected by lottery method.

3.6 Methods of Data Collection

Data for the study is collected from the field survey. This study is mainly based on primary data. The data is collected through the formal method of interview, observation, structural questionnaire. Further secondary data is collected by VDC profile, DDC profile and yearly statistical report of DCSI.

3.7 Methods of Data Analysis

The collected data were categorized and then analyzed by using simple and suitable mathematical and statistical tools like tabulation, percentage and graphical presentation.

CHAPTER -IV

DATA ANALYSIS AND INTREPRETATION

4.1 National wide Situation of Cottage and Small Industries

4.1.1 Programs regulated by the DCSIs for the Promotion of Industries

For the promotion of the industries, capital investment, modern technology and market management, different skillful programs like training, interaction, discussion environmental awareness, productivity promotion, technological broadcasting and information broadcasting have to be given to entrepreneurs. For the fulfillment of these mentioned programs, following objectives have been used:

- Technological suggestions have to be given for the industries registration, permission, project report for giving facilities and skim IEE report.
- Industrial information and suggestions have to be given to entrepreneurs.
- Trainings and technical suggestion have to be given for the increment of quality and productivity.
- Training and conventions have to be run for the management of industrial manpower.
- Give technological help for the running of the sick industries.
- Give publicity by constructing the industrial promoting goods.
- Evaluate and inspect on the spot visit.
- Give free technological suggestion for those who are willing establish industries.

The developmental status of the skillful training and industrial manpower recorded under the DCSIs.

Different industrial development and skill development trainings are being conducted for solving the prolonged unemployment. These trained manpowers have given training from the agricultural development bank so that their skill can be used in developmental programs. These programs are being conducted in all 75 districts.

Number of CSIs permitted by the DCSIs is shown in the following table:

Table 4.1

No. of CSIs permitted by the DCSIs (2003/04 to 2012/13)

FY	No. of Industries Registered			Total
	Private Firm	Private Limited	Partnership	
2003/04	5,985	600	548	7,133
2004/05	6,972	559	499	8,030
2005/06	7,322	536	372	8,230
2006/07	7,587	731	385	8,703
2007/08	8,231	874	316	9,394
2008/09	16,238	943	541	17,722
2009/10	11,250	1,116	654	13,020
2010/11	12,359	1,114	1,145	14,618
2011/12	15,831	1,225	952	18,008
2012/13	17,116	1,179	1,078	19,383

Sources: Department of Cottage and Small Industries, 2013.

Table 4.2

Number of Industries registered by category up to FY 2012/13

Category	No. of industries	Total cost	Fixed cost	Employee
Agro base	271	13,419.44	11,268.06	29,153
Construction	40	6,219.04	5,875.01	2,718
Energy base	184	2,69,736.65	2,60,399.35	19,262
Manufacturing	2319	1,81,036.15	1,31,861.05	2,66,611
Mineral	52	4,010.91	3,542.49	5,457
Service	1451	98,836.25	68,905.76	95,473
Tourism	957	45,784.74	40,855.56	39,604
Total	5274	6,19,083.17	5,22,707.28	4,58,275

Source: Industrial Situation Report, 2013.

4.2 Profile of the Kapilvastu District

Kapilvastu district is one of among 75 districts, which lies in Lumbini zone of Western Development Region. It is spread over the Tarai in the southern part of the country. This district is surrounded on the north by Arghakhachi, Rupendehi on the east, Dang and Uttar Pradesh of India on the west and Uttar Pradesh of India on the south. There are 77 VDCs and three municipalities in the district. Headquarter of the district in Taulihawa.(DDC Report,2013)

Geographicallu, Kapilvastu District lies between $27^{\circ} 25'$ north latitude to $27^{\circ} 84'$ north latitude and $82^{\circ} 65'$ east longitude to $83^{\circ} 14'$ east longitude. The altitude of the district ranges from 90 meters to 824 meters above the sea level.

The total area covered by the district is 1738 square km. There are 8430 households in the district. The total population of the district is 5,71,936. Among them, 2,86,337 are females and 2,85,599 are males. The total family numbers are 91,321. Population growth rate is 1.69 percent in per year. (CBS, 2011)

4.2.1 Profile of Birpur VDC

Birpur VDC is one of the VDC of Kapilvastu district. It is one of the developed V.D.C. of Kapilvastu. Geographically, Birpur VDC lies between 27.63° North to 82.86° East. Most of people in this village are engaged in agriculture, business and some of them are foreign employees. The total population of this village is about 15,255. Among them 7,532 are males and 7,723 are females. Out of the population, 48 percent are literate and 52 are illiterate. 31 percent speak Awadhi, 8 percent Urdu, 6 percent Tharu and 55 percent people speak Nepali group in Birpur VDC.

4.3 Condition of Entrepreneurs

4.3.1 Monthly Income from Industries

To know the role of CSI's in creating the employment opportunities and income generation, it is necessary to know the income of each entrepreneurs from the industry. Analyzing primary data, from the field survey the following information about the income level of entrepreneur has acquired. The information is listed below in the table:

Table 4.3
Income from Industries

Income(Rs.)	No. of Respondents	Percentage
Less than 50000	3	16
500000-100000	8	45
100000-200000	3	16
More than 200000	4	23
Total	18	100

Source: Field Survey, 2014.

Table 4.3 shows that 16 percent CSIs have on an average earning in a month are less than Rs 50 thousand. Forty-five percent CSIs or entrepreneurs have earned Rs50 thousand to one hundred thousand. Sixteen percent CSIs earned Rs one hundred thousand to two hundred thousand. And 23 percent CSIs earned more than two hundred thousand in a month. In this situation we can say that some of the CSIs have low income they cannot change the living standard of the people of Birpur VDC of Kapilvastu district. Due to the low income they cannot fulfilled their needs. People cannot save and they cannot invest their earnings. Due to the low investment economic growth rate become low. But a quite this income also improve their living standard.

4.3.2 Monthly Expenditure for CSI's

Industries expenditure can show the expending of entrepreneurs on raw materials, rent, salary, and so on.

Table 4.4
Monthly Expenditure for CSI's

Expenditure (Rs.)	No. of Respondents	Percentage
Less than 50000	8	45
50000-100000	8	45
100000-200000	1	5
200000-1000000	1	5
Total	18	100

Source: Field Survey, 2014.

Table 4.4 shows that almost 90 percent entrepreneurs expend below Rs. 50 thousand and between Rs.50 thousand to one hundred thousand. Only 10 percent expend between Rs. one hundred thousand to one million. This shows that minimum CSIs expend their own business. Due to low income they cannot expend more to buy raw materials.

4.3.3 Monthly Net Income of Entrepreneurs

We can get net income by subtracting monthly expenditure from monthly total income. It helps to know that the real financial situation of the industries.

Table 4.5

Monthly Net Income

Monthly Income (Rs.)	Respondents	Percentage
below 20000	2	11
20000-50000	8	45
50000-100000	4	22
100000-200000	4	22
Total	18	100

Source: Field Survey, 2014.

Table 4.5 shows that 45 percent entrepreneur's net income lies between Rs. 20 thousand to 50 thousand, which is the highest percentage of net income. Among them 22 percent has been earning between Rs. 50 thousand one hundred thousand and another 22 percent has been earning between one hundred thousand to two hundred thousand. Rest 11 percent has been earning below Rs. 20 thousand. This table shows that some entrepreneurs success to get net profit Rs 20000 which help to them to fulfilled their needs but they cannot reinvest. Some of them get net profit below than two hundred thousand . This is high income so they success to reinvest.

4.3.4 Financial Sources of CSI's

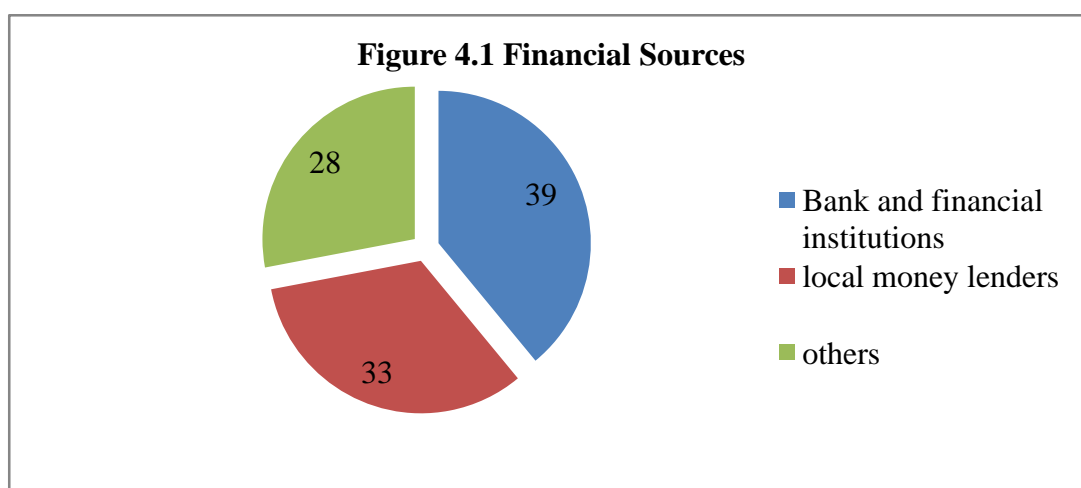
To run the industry entrepreneurs need loan. They take loan from different channels like bank and financial institutions, co-operatives, local money lenders and others.

Table 4.6

Financial Sources of CSIs

Sources of Finance	No. of Industries	Percentage
Bank and Financial Institution	7	39
Local Money Lenders	6	33
Others	5	28
Total	18	100

Source: Field Survey, 2014.



This figure 4.1 shows that 39 percent entrepreneurs take loan from bank and financial institutions. 33 percent from local money lenders and 28 percent take loan from their relatives or friends. This shows that still people depend upon local money lenders.

4.3.5 Male and Female Participation as a Proprietorship of CSIs

In Birpur VDC most of small and cottage industries are run by the males and some are by females. Situation of male and female participation as a proprietorship of CSIs in Birpur VDC of Kapilvastu district is shown by the following table:

Table 4.7

Male and Female Participation as a Proprietorship

S.N.	Proprietor	No. of CSIs	Percentage
1.	Male	13	72
2.	Female	5	28
	Total	18	100

Source: Field Survey, 2014.

The table 4.7 shows that 72 percent CSIs are run by male and 28 percent CSIs are run by female Proprietors. This shows that male participation is more than female proprietors.

4.3.6 Formal Training

To be update and increase the production smoothly, training helps significantly. The trained manpowers not only produce quality goods and services but also decrease the produced goods and services. The training situation shows below by the following table:

Table 4.8

Formal Training

Nature of Training	No. of Respondents	Percentage
Yes	11	61
No	7	39
Total	18	100

Source: Field Survey, 2014.

This table 4.8 shows that 61 percent entrepreneurs are trained. 39 percent are not trained. Among trained entrepreneurs, 2 beauty parlor, 2 tailoring, 2 jewelry, 1 furniture, 1 grill and some have taken the training fishery, poultry, doll.

4.3.7 Training Duration

Different entrepreneurs have taken different types of training in different time period.. The training duration shows by the following table:

Table-4.9
Training Duration

Time Duration	No. of Respondents	Percentage
Less than 6 months	2	18
6-12 months	2	18
12-18 months	5	46
More than 18 months	2	18
Total	11	100

Source: Field Survey, 2014.

The above table 4.9 shows that 46 percentage entrepreneurs have taken 12 to 18 months training, 18 percent have taken short period training and 18 percent also taken more than 18 months training. The above table also shows that most of the entrepreneurs are taken less than two years training also.

4.3.8 Raw Materials

Raw materials are one of the important factors to determine its quality, cost of production and national demand of raw materials. It is also an important factor of success and failure of every industry.

Table 4.10

Raw Materials

Sources of Raw Materials	No. of Industries	Percentage
Local Sources	8	44
Import Sources	4	22
Both	6	34
Total	18	100

Source: Field Survey, 2014.

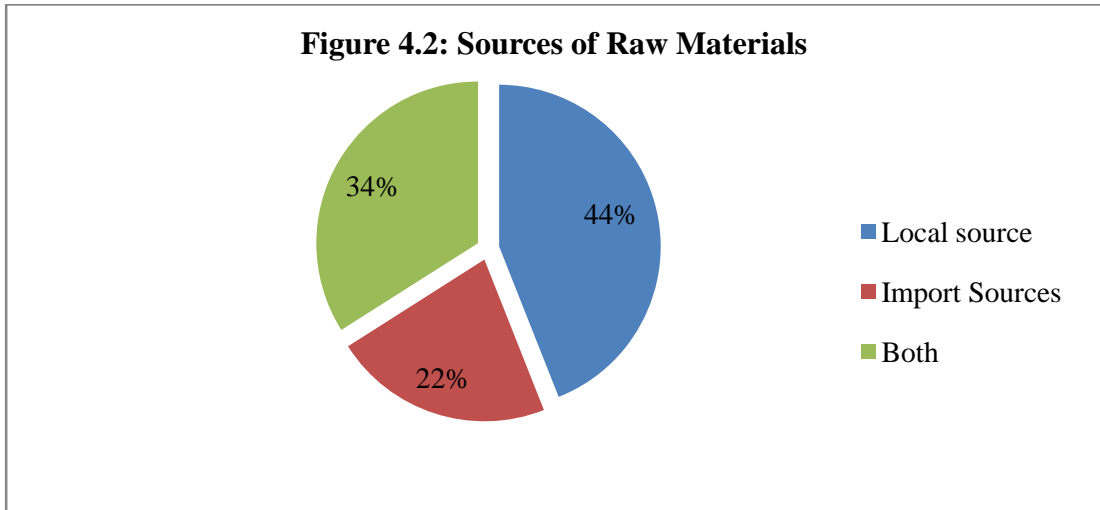


Figure 4.2 shows that 44 percent of total industries of the study area have used local raw materials, 22 percent have used imported raw materials and 34 percent have used both types of raw materials. This shows that most of the industries are using local raw materials and less are using imported raw materials.

4.3.9 Labor Employees

CSIs help to reduce unemployment. It can generate employment opportunities in the country. In study area among 18 industries, four industries entrepreneur have no used other employees, they run their own labor for own business. The employment situation is shown by the following table:

Table 4.11

Labor Employees

No. of Employees	Industries	Percentage
Less than 1	4	22
1-5	11	61
5-10	3	17
Total	18	100

Source: Field survey, 2014.

The above table 4.11 shows that 22 percent entrepreneurs have not used any other labor. 61 percent has used between 1 to 5 labours and 17 percent used between 5 to 10 workers. In sample industry 48 labours are engaged.

4.3.10 Utilization of Profit

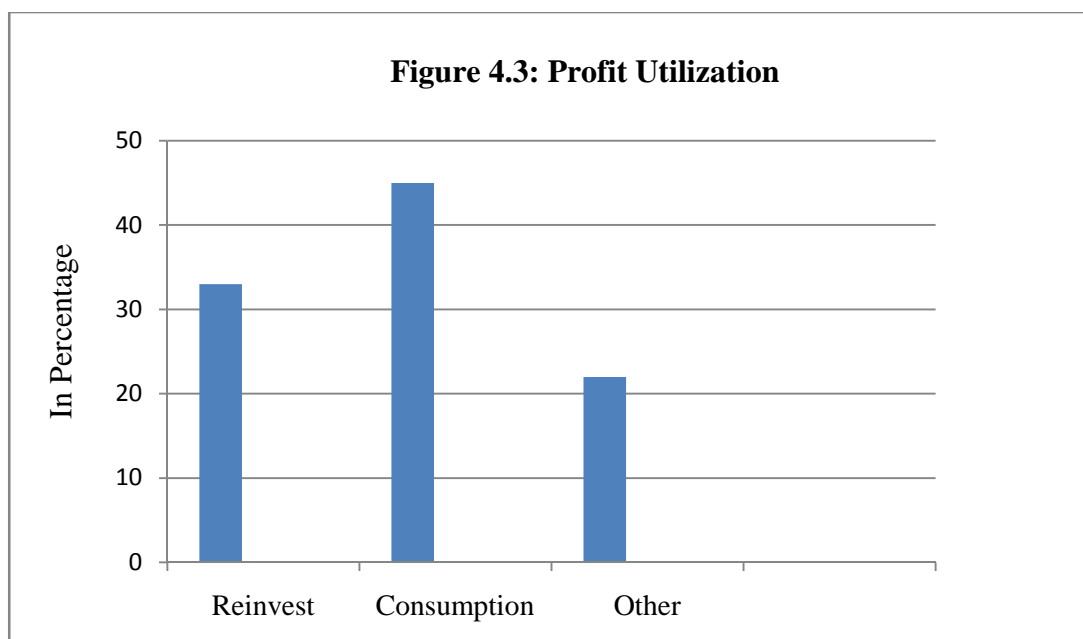
Profit is the intensive force to run or operate the industry. Sometimes, profit will be invested to promote the same industry and sometimes, it may be used for other purposes. The profit of the CSIs of Birpur VDC is using by the entrepreneurs is presented in the following figure:

Table 4.12

Profit Utilization

Sector	No. of Employees	Percentage
Reinvest	6	33
Consumption	8	45
Other	4	22
Total	18	100

Source: Field Survey, 2014.



This 4.3 figure shows that 45 percent entrepreneurs used their profit to consumption. 33 percent people have used reinvest and 22 percent used other sides. This shows that in Birpur VDC, maximum profit used for consumption sector.

4.3.11 Nature of Labour Selection

Success and failure of industry depends upon the skilled manpower. Selection of labour employed system showing the nature of entrepreneur's behavior and also making their future.

Table 4.13

Process of Labour Selection

Nature of Selection	No. of Respondents	Percentage
Free Competition	10	55
Family Related Persons	6	33
Other	2	12
Total	18	100

Source: Field Survey, 2014.

Table 4.13 shows that 55 percent of labours are selected from free competition, 33 percent are selected from family related and 12 percent are selected from others. From our study, it is good to know that most of the labours are selected from free competition. This ensures that there is equal chance of selecting any person who is willing to work. It is sure that skillful persons can get maximum chance to job opportunities.

4.3.12 Selling Market of Cottage and Small Industry

In the study area product of CSIs sells in local market out of district and some of them on foreign market which can be shown by following table;

Table 4.14

Selling Market of the Producers

Selling Place	No. of Industries	Percentage
Who Come to Your Home	4	22.22
Local Market	10	55.56
National Market	3	16.66
Foreign Market	1	5.56
Total	18	100

Source: Field Survey, 2014.

Table 4.14 shows how these cottage and small scale industries do marketing. Among them, 22.22 percent industries sell their products on their own firm. 55.56 percent industries sell their products in the nearby market or local market. 16.66 percent industries sell their product out of the district market but only 5.56 percent can success to sell their product on the foreign market. This shows that they mostly sell their products in the local market. It is also goods for the consumers because they got the products in cheaper prices compared to other products. This makes the industries to run their business effectively. It means there is little chance of closing down/shut down of the industries.

4.3.13 Educational Status

Education is one of the major indications of human role and socio-economic status. Education is the critical components and the developments of human personality. The education level of the entrepreneurs is shown by the following table:

Table 4.15

Educational status of Entrepreneurs

Level	No. of Respondents	Percentage
Literate	2	12
Primary Level	4	22
Secondary Level	6	33
Higher Level	6	33
Total	18	100

Source: Field Survey, 2014.

Table 4.14 shows that in the study area about 12 percent entrepreneurs are literate and 22 percent entrepreneurs got primary level. 33, 33 percent entrepreneurs got secondary and higher level education. Secondary and higher education level are same. This shows that maximum entrepreneurs are educated.

4.3.14 Nature of Problems for Production

Industries have different kinds of problem of production such as lack of skill man power, lack of market, lack of capital and others. Some of the problems that the industries of Birpur VDC of Kapilvaste district are facing presented below

Table 4.16

Nature of Problems for Production

Problem of Production	No. of CSIs	Percentage
Lack of capital	6	33
Lack of skill manpower	4	22
Limited market	6	33
Others	2	12
Total	18	100

Source: Field Survey, 2014.

Table 4.15 shows that different industries have to face different types of problems, according to the survey, 33 percent of the industries are facing the problem of lack of

capital, 22 percent industries are facing the problem of lack of skill manpower, 33 percent industries are feeling the problem of limited market and 12 percent industries are facing the others types of problems.

4.4 Employee's Condition

CSIs contribute to generate employment. It helps workers to generate income and somehow solve the basic problems. But the salary is not sufficient to fulfill all of their basis needs. We can analyze the real conditions of workers by analyzing the following headings:

4.4.1 Monthly Income from Industries

This helps to know the role of CSIs in income generation of workers.

Table 4.17

Income from Industries

Income (Rs.)	No of Employees	Percentage
1000-5000	4	16
5000-10000	9	36
10000-20000	12	48
Total	25	100

Source: Field Survey, 2014.

Table 4.14 shows that 16 percent employee's income is below five thousand which is very low level of income in the present context. Among them 36 percent has been getting between 5 thousand to 10 thousand which also not a sufficient level of income. Majority of workers that is 48 percent has been getting 10 thousand to 20 thousand which is a little bit satisfied level of income.

4.4.2 Income from Other Sources

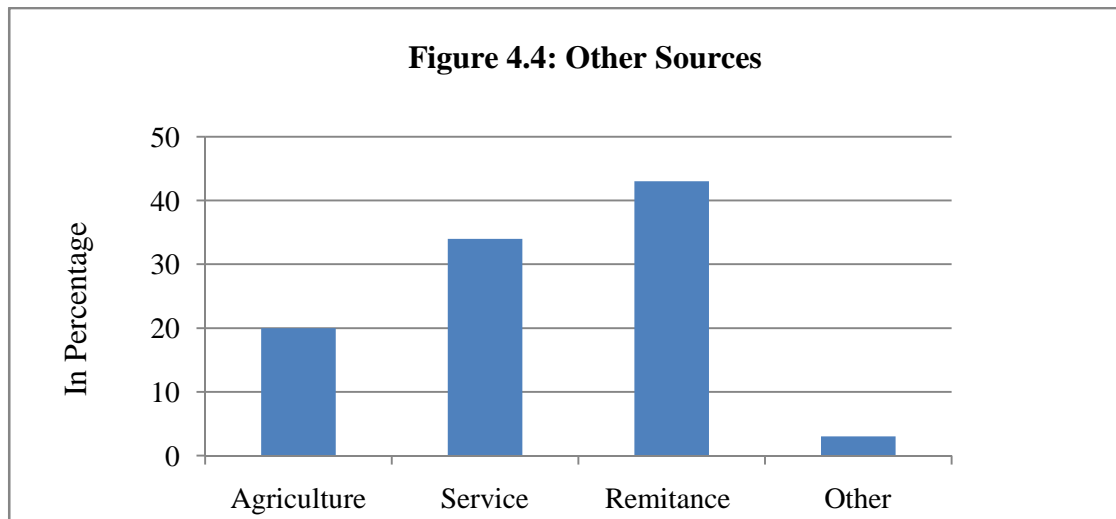
The income from industries has not sufficient for workers to fulfill their family's basis needs. So the other family members have been engaging in different types of works. The given table shows the income from other sources.

Table 4.18

Income from Other Sectors

Sources of Income	No. of Employees	Income(Rs.)	Employees (%)	Income (%)
Agriculture	12	7,000	48	20
Service	3	12,000	12	34
Remittance	4	15,000	16	43
Other	6	1,000	24	3
Total	25	35,000	100	100

Source: Field Survey, 2014.



This figure shows that maximum number or 48 percent family members have involved in agriculture sector. From this sector they have earned monthly 20 percent (7000). In service sector 12 percent of them have involved and their income is 34 percent (12000). Some of them have engaged in foreign employment that is 16 percent and they have earned 43 percent (15000). They also have also engaged other works that is 24 percent and they have earned only 3 percent (1000).

4.4.3 Working Hours Per day

The hours of working per day helps us to know how entrepreneurs mobilize and exploit worker. In CSIs most labor has been working above 9 hours. Workers spend

maximum time on industry but they have not get sufficient salary. This can be shown in the following table:

Table 4.19
Working Hours

Hours Per Day	Employees	Percentage
7-10	6	24
10-13	10	40
13-16	5	20
16-18	4	16
Total	25	100

Source: Field Survey, 2014.

Table 4.16 shows that maximum percent (40) of labours worker at most 10-13 hours and that of 24 percent spend 7-10 hours which is least working hours. Among them 20 percent spend 13-16 hours and rest of the 16 percent work for 16 -18 which the longest working hours.

4.4.4 Training Duration

In sample or selected area in 18 industries 25 employees has been selected among them 8 employees does not have training at all.

Table 4.20
Training Duration

Time Duration	No. of Employees	Percentage
No Trained	8	32
6-12 months	13	62
12-24 months	4	16
Total	25	100

Source: Field Survey, 2014.

This table 4.17 shows that 32 percent of employees do not have training, 62 percent of them have got training which is at most of 12 months that relate with parlor, tailoring,

doll making, cocking, grilling, jewelry, 16 percent of them have long time duration training that relates with the jewelry, waving sweater and furniture.

4.4.5 Educational Status

Education plays a key role in the development of an individual. It is one of the major degrees to measure the social status of any society. Educated employees

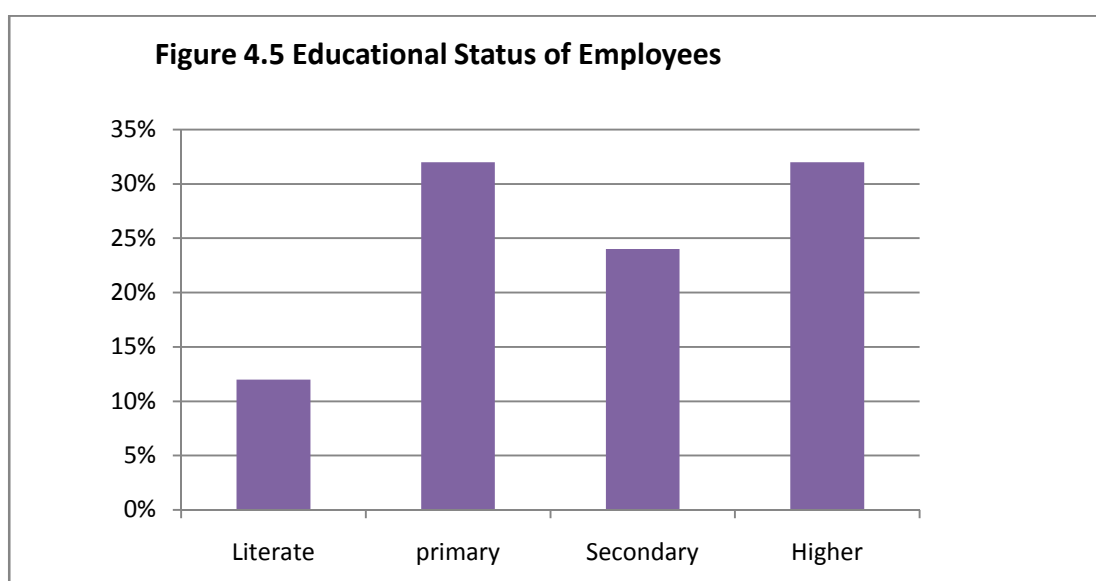
Table 4.21

Education Status of Employees

Level	No. of Respondents	Percentage
Literate	3	12
Primary Level	8	32
Secondary Level	6	24
Higher Level	8	32
Total	25	100

Source: Field Survey, 2014.

Table 4.18 shows that 12 percent employees are only literate, 32 percent employees got primary level education. Among them 24 percent got secondary level education and 32 percent get higher level education. This shows that maximum employees got higher level education. Higher level educated person also get employment by CSIs,



4.4.6 Nature of Employment in CSIs

There are three types of employment opportunities which are created by the small and cottage industries in Birpur VDC of Kapilvastu district. These are seasonal employment, part-time employment and full time employment. From the sample of 18 CSIs only two CSIs i.e. Sugam furniture, and one Gupta Sweater udyog provides seasonal employment. And then, only three CSIs i.e. Bright beauty parlour, shima doll , Lumbini cotton udyog provides part-time employment and other provides full time employments to the people of study area.

Table 4.22

Nature of Employment

Employment type	No. of CSIs	Percentage
Seasonal Employment	2	11.11
Part time Employment	3	16.66
Full time Employment	13	72.23
Total	18	100

Sources: Field Survey, 2014.

Table 4.19 shows that 11.11 percent CSIs provides seasonal employment, 16.66 percent CSIs provides part time employment and 72.23 percent provides full time employment. From this data we can say that most of the CSIs provides full job for the labor, which helps to improve the socio economic condition of the people of study area because this opportunity build up the chance of earning more and more.

4.4.7 Analysis of Employment Pattern by Age

Production activity of industry depends upon the skill manpower and the skill also depends upon the age of labour. Labour age group shows the maturity of the labour. There are many labours engaged in the CSIs of Birpur VDC of Kapilvastu district, they are different age group which are explained below by the following table and pie chart

Table 4.23

Employment Pattern by Age

years	No. of Employees	Percentage
Less than 20 years	3	12
20-50 years	18	72
More than 50 years	4	16
Total	25	100

Source: Field Survey, 2014.

We can show this table by the following pie chart

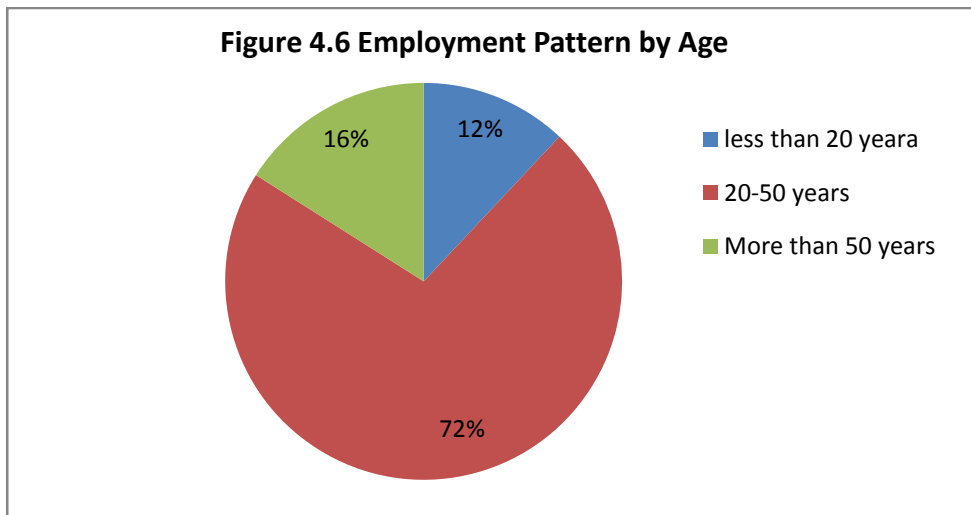


Figure 4.6 show those 12 percent employees are less than 20 years. Out of 18 CSIs, two CSIs use child labor. These CSIs are Lumbini restaurant, Cotton Udyog uses child labor. And then 72 percent employees are between 20 to 50 Years or young labor uses by CSIs. 16 percent employees are more than 50 years. This shows that most of the CSIs use active labour and there are most of the active people live in the study area.

4.4.8 Support on Education by the CSIs

Most of the people who are engaged in small and cottage industry they feel support to improve the educational condition of their children but some people don't accept this. Due to the low income they cannot invest their earning in educational sector. Their earning is used for household consumption. We can explain this by the help of the following table.

Table 4.24

Support to Improve Education by the CSIs

Support to Improve	No. of Labour	Percentage
Yes	18	72
No	7	28
Total	25	100

Source: Field Survey, 2014.

Table 4.20 shows that 72 percent labour can support to improve the educational condition of their child and 28 percent labor cannot support to improve the educational condition of their children. This analysis shows that most of the CSIs provide access for the education. They can afford private school or college that provides more and more facilities for their children. So we can conclude that CSIs play important role in improving educational situation of the study area.

4.4.9 Nature of Access on Education

In Nepal, there are two types of education. First one is provided by the government and another is provided by the private sector. The government sectors cannot provide more facilities than private sector. So, the products of government sector cannot competition with the produce private sector.

Table 4.25

Nature of Access on Education

Type of School	No. of Labour	Percentage
Government School	10	40
Private School	15	60
Total	25	100

Source: Field Survey, 2014.

Table 4.22 shows that 40 percent labors send their children in government school. But 60 percent labors send their children in private school. Table 4.22 shows that percent labors cannot afford the private school due to low income. 40 percent labor earns little money, so they cannot afford the expensive fee of the private school.

CHAPTER – V

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

Due to the different aspects such as territorial, economic, social etc, small and cottage industries are found to be fruitful in Nepal. In Nepal, more than 90 percent of industries can be categorized as small and cottage industries. There are enough possibility of improving these small and cottage industries. In the context of Nepal, small and cottage industries are quite enough to eliminate poverty wise reformation of small and cottage will help to increase domestic product and employment of the nation.

The 'Industry Policy 2010' has categorized in five different typed, they are micro enterprises, traditional cottage industry, small industry, medium scale industry and large scale industry. This categorization is based on the level fixed investment. According to policy cottage industries are those industries whose fixed capital is below than two millions. Small scale industries are those industries whose fixed capital is below than five millions. Whose fixed capital is lies between 5 to 15millions are called medium scale industries. Large scale industries are those industries whose fixed capital is above than 15 millions. Fixed capital industries include the land of industries, physical infrastructures office, factory, buildings, store room, means of communication and equipment etc.

Through the around the 74 percent people depend on agriculture, has contributed very few to the GDP of Nepal. Literature reviewed from different sources, we know that most of the people are employed in agriculture sector. Due to the problem of market, raw materials traditional technology dependent on monsoon and etc, agriculture sector cannot success to flourish in Nepal, industrial development is inevitable without enhancing the industrial sector Nepal cannot harness the benefit she has. But the raw materials used in industry, come from the agriculture sector. Thus, agriculture sector is also equally important for the industries to develop themselves. Due to the different problems like transportation, modern technology etc, small and cottage industries are

must for Nepal. To eliminate poverty and unemployment, small and cottage industry can said to be the best solution for Nepal.

Small and Cottage Industry sector is the backbone of the Nepalese economy. Being one of the potentials for the development of industry in Nepal, this sector has to be the concern of the government.

This study is conducted in Birpur VDC of Kapilvastu district use by the primary data collection method with the help of the questionnaire technique. This study is based on the sample of 18 CSIs which are selected by using purposive sampling technique. In this VDC, there are 60 CSIs are registered till the Fiscal year 2070/71. Out of them total sampled CSIs are 18. This study tries to find out the role of small and cottage industries of Birpur VDC of Kapilvastu. This study focused to find out the employment situation, income level of entrepreneur and labor of the study area are summarized as below:

-) In the study area 23 percent entrepreneurs are earning 2 or more than two hundred thousand. Among them 45 percent are earning between Rs. 50 thousand to one hundred thousand. Eleven percent of entrepreneurs are earning less than Rs. 50 thousand. Where, 45 percent CSI's expenditure is less than 5 thousand. Only 5 percent expend more than two hundred thousand and also 5 percent CSI's expenditure lies between one to two hundred thousand. In the study area 45 percent entrepreneur's net income lies between 20 thousand to 50 thousand. Only 22 percent entrepreneurs can success to earn between one to two hundred thousand net incomes. Eleven percent entrepreneurs earn below than 20thousand net incomes.
-) It is seen that 39 percent of total respondents have invested taking loan from bank and financial institution. 28 percent industries taking loan from local money lenders and 33 percent taking loan from other like their relatives, friends etc. In the study area 33 percent CSIs facing the problem of capital, 22 percent facing lack of skill manpower, 33 facing limited market and 12 percent facing other problems.
-) From the study as compare to the male and female participation as a proprietor, female participation is less than male. Only 28 percent of female participates as a proprietor. And then, 72 percent male are proprietors in the

study area. In the study area only 31.9 percent female are employed and 68.9 percent male are employed.

-) Only 55 percent labours are selected by the free competitions and 33 percent are family related person. From the study 16.66 percent CSIs provide part time employment. 72.23 percent provide full time employment and 11.11 percent provide seasonal employment. Labours who is engaged in CSIs of the study area 60 percent laour provides to their children from the private school and 40 percent provide their children from the government school.
-) 61 percent entrepreneurs are trained and 39 are not trained. Among them only 46 percent entrepreneurs have taken one year's training. 18 percent have taken short period training and 18 percent also taken more than 18 months training. This shows that most of the entrepreneurs are taken less than 2 years training.
-) In the study area 45 percent entrepreneurs used their profit to consumption. 33 percent people reinvest and 22 percent used other sector. This shows that in this area maximum profit used for consumption sector. 22 percent entrepreneurs have not used any other labor. 61 percent has used between 1to 5 labours and 17 percent used between 5to 10 workers in this area.
-) In this area 44 percent CSIs have used local raw materials, 22 percent have used imported raw materials and 34 percent have used both types of raw materials. This shows that most of the industries are using local raw materials and fess are using imported raw materials.
-) In the CSIs 48 percent labour's income between 10 to 20 thousand. 16 percent labour's income less than five thousands. It is very low level income so they depend upon another sector. 48 percent family members have involved in agriculture sector. From this sector they earn monthly7000. Some of them involve service sector from this sector they earns 8000 monthly. 16 percent of them are foreign employed.
-) Here 24percent worker's working hours is 7to 10 hours. 16 percent work for 16 to 18 which the longest working hours. Maximum percent or 40 percent of them work at most 10 to 13 hours. In this study area 62 percent labor trained less than 12 months training and 16 percent labour trained 12 to 24 months training.

J 32 percent labour get higher level education, 24 percent got secondary and 12 percent employees are only literate. 20 percent employees are less than 20 years. Out of 18 industries two industries use child labour. 72 percent employees are between 20 to 50 years or young labours. 16 percent labours are more than 50 years. In this study area 72 percent labours can support to improve the education condition of their children and 28 percent labours cannot support their children education.

5.2 Conclusion

This study is undertaken through the primary data collected by using the questionnaire method from the Birpur VDC of Kapilvastu district to see the role of small and cottage industry. Through the study is limited within some cottage and small industries, it tries to figure out the main contribution of CSIs this area's people. Through this we try to generalize this finding for overall cottage and small industries.

From this study the following out comes can be traced out:

- Out of the total population nearly 38 percent are employed of the study area.
- 22 percent entrepreneurs earn less than two hundred thousand monthly from CSIs. Eleven percent entrepreneurs earn less than 20 thousand in monthly, which is net income so this shows that maximum entrepreneurs can success to feed their family.
- 39 percent CSIs financed from bank and financial institution. 28 percent are financed from local money lenders and 33 percent financed from other resources.
- 72 percent CSIs run by male and 28 percent CSIs run by female.
- 33 percent CSIs facing the problem of lack of capital, 22 percent facing lack of skill manpower, 33 percent facing limited market problem and 12 percent facing other problems.
- 61 percent cottage and small industries owners received training.
- 46 percent owners have taken 12 to 18 months training. 18 percent owners have taken short-time period training.
- 44 percent CSIs use raw materials from local source. 34 percent use import resources and 22 percent use both type sources.

- 22 percent owners have not used any labour. 60 percent have used between 1 to 5 labours and 17 percent have used between 5 to 10 labours.
- 55 percent labours employed in these CSIs are selected from free competition and remaining worker is selected from family related person and others.
- 44 percent entrepreneurs used their profit to consumption. 22 percent entrepreneurs reinvest their profit and 32 percent entrepreneurs used other sector
- 48 percent labour's income between ten to twenty thousand. 16 percent labour's income below than five thousand.
- 16 percent employees are trained in long time duration training and 62 percent of them have got training which is at most of 12 months. 32 percent workers are not trained.
- 48 percent employees family member have involve in agriculture sector. 16 percent of them involve in foreign employment.
- 12 percent entrepreneurs are literate and 22 percent entrepreneurs got primary level. 33, 33 percent entrepreneurs got secondary and higher level education. Secondary and higher education level are same.
- 33 percent of industries have started their business by less than one hundred thousand . 48 percent of industries have invested below 25 hundred thousand. Some of them invested between one to five hundred thousand.
- 48 percent CSIs are invest in constant trends and 38 percent CSIs are invests in increasing trends.
- 28 percent labour employed in CSIs have problem of low salary. 60 percent labour has not got any facility by CSIs.
- 72 percent labour can support to improve the educational condition of their child and 28 percent labor cannot support to improve the educational condition of their children. 40 percent labors send their children in government school. But 60 percent labors send their children in private school.
- 12 percent employees are less than 20 years. Out of 18 CSIs, two CSIs use child labor. And then 72 percent employees are between 20 to 50 Years or young labor uses by CSIs. 16 percent employees are more than 50 years.

- 12 percent employees are only literate, 32 percent employees got primary level education. Among them 24 percent got secondary level education and 32 percent get higher level education.
- 11.11 percent CSIs provides seasonal employment, 16.66 percent CSIs provides part time employment and 72.23 percent provides full time employment.
- Maximum percent (40) of labours worker at most 10-13 hours and that of 24 percent spend 7-10 hours which is least working hours. Among them 20 percent spend 13-16 hours and rest of the 16 percent work for 16 -18 which the longest working hours.

5.3 Recommendations

Small and cottage industries are seen to be very fruitful for the study area. According to the field survey, there are many problems but in the same time many prospects are also seen in small and cottage industries. The employment and marketing situation will be improved and promoted if we recommend for some points that are taken from our field study which are given below;

5.3.1 To promote Employment Situation

First of all process of selecting labour in small and cottage industries should be totally depending on free competition. The process of selection through family related person should be stopped. This will encourage the labours to work in these CSIs and this will help the entrepreneurs to promote their business. Entrepreneurs should increase their quota for employment by investing more through their profit. If they increase the quota for employment many people in the village area will get job and they may certainly help to uplift the economic condition but also social condition will certainly improve.

Many of the industries are employing labours more than 8 hours per day to work. But will create laziness, boarded and tidy feelings to the labours. This will hamper in the production process of industries. To work more than 8 hours per day is also above than the international standard.

Most of the labours are paid low salary by most of the industries. They are also not given proper facilities. If management thinks towards the salary and facilities given to the workers, labours will certainly also think about their industries where they are working now. If they get high salary, they will totally devote themselves to their job. Most the people are poor and living under poverty line, they cannot help to the economic development of nation unless they themselves will not develop.

5.3.2 To improve the production and marketing process

Most of the industries are operating with the help of local raw materials. This shows that if these industries can use all the available local raw materials it will more beneficial for them. They can produce in low cost and products can be sold at local markets. They do not have to search the extra market. If they use these materials, it will also uplift the local living standard.

Most of the CSIs have problem of capital, skilled manpower and limited market. It is found that most of the entrepreneurs are investing their saving in other sectors than industries. If they can invest their saving in their own business, there will be no problem of capital. It is also that if CSIs are running legally and in good conditions, banks and financial institution will certainly help them.

In case of lack of skilled manpower, CSIs have to create opportunities to train this unskilled manpower. In some time gap if industries can train this unskilled manpower, there will be no problem of it. Similarly, locally used raw materials will be certainly used by local people. All this makes production far better and efficient.

In case of marketing, if industries will have used local vehicles properly and usefully, they will help in marketing process. It is also seen from the field study that there is no problem of marketing. They are easily getting markets to sell their products.

Being the producers of local goods and services mostly, their demand in market is satisfactory.

5.3.4 To create reinvest environment

Almost all the entrepreneurs have been using their income in consumption sector. It's not so good for the economy. Consumption should be decreased and entrepreneurs

should be encouraged to reinvestment. For this Government has to make favorable environment for CSIs. Government should manage market structure, low transportation cost, training and favorable condition. If these conditions meet then the entrepreneurs will attract for reinvestment.

CSIs are compelled to produce low level of quantity of their products because of several reasons such as low level of capital, appropriate technology skilled manpower and raw materials.

Government should encourage entrepreneurs for reinvestment which will result large level of production and high income level. That guarantees for launching of new and appropriate technology. Using new and appropriate technology the production cost will decrease which gives the competitiveness of the products. It ensures the quality as well as export of that product. If exports increases the production will rise which ensures the employment of the local people. This further improves their life standards.

5.3.5 To solve the main problems of CSIs

CSIs have to use local market, training should to be given for unskilled manpower, they themselves have to use their benefit to invest in them, and this will certainly solve the problems. They also have to take advice from the knowledgeable persons to solve their problem.

5.3.6 To run the CSIs effectively

To run their business effectively, entrepreneurs have to devote themselves to their business. Most of their time has to be given to their business entrepreneurs will certainly flourish their business. Most of the entrepreneurs spent their time in other thing like child care household work and others. If they utilize this time to their business, they will certainly get the reward.

In over all, government also can play vital role in promoting the CSIs. Government has to use the programs practically that they have launched. Government's commitment and programs can be seen only in papers not in practical use. Cottage and Small Industry Development Board may also become fruitful for the CSIs if it will launch its programs effectively.

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Appendix – I

Questionnaires for Entrepreneurs

1. Name:

Age:

Address:

Name of the Industry:

Date of establishment:

2. Give the details of your family:

S.N.	male	female	age	education	occupation	Remarks

3. How many members got employment in your

Ans.....

4. Employees pattern by sex.

Ans a) no. of male.....

b) no. of female.....

5. Employees pattern by age.

Ans a) less than 15 years.

b) 15-24 years.

c) 25-34 years.

d) 35-44 years.

e) More than 45 years

6. How do you select the labour hired?

Ans. a) Free competition.

b) Family related person.

c) Both.

d) Others.

7. Are you providing with other facilities except salary to the laborer?

8). Is the employed laborers are sufficient?

a) Yes b) No

9). If not what is the reason of insufficient labor?

a) lack of financial resource.

b) few labourers in the market.

c) other.....

10). Working hours per day?

Ans

11. Have any training got by labor?

a) Yes b) No

12. How much did you invest at first?

Ans

13. Have you taken loan to run this industry? If yes from where?

a) bank b) financial institution c) cooperatives

d) local money lender e) others.....

14. Where do you sell your product?

Ans

15. Income per month from this factory is?

Ans.....

16. Expenditure per month is?

Ans

17. Is the earning from your industry, is it sufficient?

Ans.....

18. How do you utilize the profit of this business?

Ans

19. Have you get any training related to your industry?

a) Yes b) No

20. If yes, how much time?

Ans

21. Have you used modern technology?

a) yes b) No

Appendix-II

1. Employee's Profile

Name:

Age:

Address:

Name of industry:

2. Give the details of your family and education

s.n.	male	female	age	education	occupation	Remarks

3. How many years ago you started your job here?

Ans

4. How many of your family members engage in the industry?

Ans

5. How much do you save or you are unable to save?

Ans.....

6. Is the earning salary sufficient to feed your family?

Ans

7. Are you getting other facilities except salary from industry?

Ans

8. How much land you have?

Ans.....

9. What is your house made of?

Ans

10. How much salary have you got per month?

Ans

11. Saving per month?

Ans.....

12. Have you get any training related to your work?

Ans.....

13. Your working hours per day?

Ans.....