

# CHAPTER I

## INTRODUCTION

### 1.1 General Background of the Study

Nepal is predominantly an agrarian economy with its contribution to GDP around 34 per cent and provides livelihood for about 66 per cent. While share of agriculture is decreasing with ever increasing service sector accounting 50 per cent of GDP, the industrial sector is stagnant at 16 per cent (MOF, 2013). Besides, Nepal is a landlocked country of 26.49 million people which poses both threats and opportunities for the trading. With its high population, the trade for consumption is significant yet due to landlockedness it is contributing to high cost economy for trade and production. Various factors like landlocked position, difficult terrain, inadequate access to capital, weak infrastructure, weak policies, old institutional set up, political instability give additional discomfort for the development of Nepal. While it has a lot of potentials to lead for prosperity. Still almost more than 74 per cent people depend upon agriculture to derive their livelihood by using primitive technology. The agriculture is taken as a mainstay of the economy (MOF, 2013).

In this scenario, Nepal has to face many challenges to achieve rapid economic development by breaking vicious circle of poverty. Agriculture is suffering from low productivity, small and subsistence farming, land fragmentation, use of primitive technology, low investment, poor input and output, market structure, decreasing numbers of farm worker and inadequate irrigation. Therefore, agriculture alone cannot achieve rapid and sustainable economic development of Nepal but it has high possibilities to get economic development by the process of industrialization if policies, problems, prospects and favourable environment are timely addressed. Nepal is rich in natural resources like water resources, mineral resources et cetera by which we can operate various types of industries based on available natural resources. In the context of Nepal, economic development is necessary which is possible

through the industrialization process. Therefore, we can go through industrialization process making industrial environment for the development of Cottage and Small Scale Industry (CSI) and Large Scale Industry (LSI). But unfortunately, we have no sufficient capital, modern technology for the LSI. CSI is highly possible to run than LSI due to the geological and geographical structure of Nepal.

The present status of industry shows that despite of various efforts made in the past for industrial development, the stark reality before us is that there has been no industrialization in the expected pace in the country. The contribution of industry sector in the gross domestic product could not reach even ten percent, which is a challenge before us. Economy of the country even today is excessively dependent upon traditional agricultural system and remittance. Though there is high potentiality of development of industries, the available resources, means and potentialities could not have been exploited due to lack of appropriate management capacity. This has resulted in non-use of available resources and raw materials and the country has been facing various problems such as extreme unemployment and semi-unemployment due to which, the workforce available in the country is compelled to resort to foreign employment at minimal wages. In the meantime, Nepal has become a member of the World Trade Organization and its connectivity with world market has expanded. Because of rapid industrialization and competition going on in neighboring countries, Nepali industries have to enhance productivity and demonstrate professional acumen taking into consideration the global competitiveness. Similarly, Nepali industries have to ensure quality of products, transparency in commercial transaction, regular studies of market trends and have to make extra efforts for capturing markets. Since there is no environment for protection of industries from governmental level, Nepali industries have to be promoted by way of activities for industrial promotion such as trainings, exchange of information, creating investment friendly atmosphere and industrial fairs. It is expected that from implementation of this new Policy, which has been prepared with timely review of the existing Policy, large scale industries will be established in the country and thereby,

employment will be increased and with development of microenterprises, cottage and small industries, self-employment will be promoted, Nepali labour and skills will be utilized and pace of industrialization will be accelerated in the country ([www.lawcommission.gov.np](http://www.lawcommission.gov.np)).

The Industrial Policy, 1993 was framed, however, there has been no significant progress in our state of industrial development even after the passage of a long time of framing of the policy. Industrial development is rapidly going on all over the world including neighbouring countries one after another, however, this sector could not have progressed in its expected pace in Nepal. It is in this backdrop that the new Industrial Policy, 2011 has been formulated with the objective of bringing positive changes in overall economic and social sectors of the country by means of rapid industrial development doing away with the weaknesses of the past. It is expected that through this Policy, activities of industrial development will be increased so that contribution of industrial sector in economy of the country will be at the forefront ([www.lawcommission.gov.np](http://www.lawcommission.gov.np)).

## **1.2 Statement of the Problem**

Many efforts were made to achieve industrial atmosphere by setting industrial policy. After the economic liberalization 1990, Nepal reformed financial sector, trade sector and production sector to make more contribution in the industrial development. Various efforts have framed such as capacity development of labourers, enhancing managerial skills, increasing sectoral investment, encouraging the use of new technology, making provision for the restoration of sick industries, training for entrepreneurship promotion, making necessary institutional arrangement for providing services and providing facilities and concession for special economic zone from one window policy.

Nepal has entered in the multilateral, bilateral and regional organization and its connectivity with the world market has expanded from this, Nepal has many challenges to get comparative advantages and facilities. Even though, Nepalese industries are facing problems and challenges. The main problems of

industrial development are industrial labor relation, political instability, weak industrial infrastructure, minimal availability of energy, lack of competent human resources, lack of explicit policy, lack of capacity to adopt new technology, low quality and productivity, lack of diversification of exportable items and weak supply management and so on. And, other major problems of industrial development are also lack of the mentality and atmosphere to adopt industrial enterprises as a means of livelihood. Despite of various efforts made in the past, industrialization process is not in the expected pace. The available resources, means and potentialities could not have been exploited due to the lack of appropriate management capacity.

It is necessary to make industrialization process dynamic and consolidated by developing and expanding CSI. There are great possibilities of establishing CSI utilizing the existing local resources due to the geological and geophysical structure of the country.

Government of Nepal has provided facilities and concession in custom tariff, excise, special facilities and concession for micro enterprises, special provisions relating to special economic zone etc. Apart from these facilities, exemption of income tax for the first ten years from the date of commencement of its transaction is given by the industrial policy to the established industries in the least developed region. Nevertheless, why more industries are registering in developed region by facing various problems.

However, this study has tried to examine:

1. What are the problems and prospects of CSI in study area?
2. What are the present status of CSI as well as characteristics of Metal Craft Industry in Nepal?

### **1.3 Objectives of the Study**

The general objective of the study is to analyze the problems and prospects of the CSI of Kathmandu District. The specific objectives of the study are:

1. To examine the present status of CSI as well as characteristics of metal craft industry in the study area.
2. To identify the problems and prospects of the Metal Craft Industry in study area.

#### **1.4 Significance of the Study**

Industrialization process is the backbone of the country for the economic development. In the context of Nepal, CSIs are operating more than LSI and playing significant role in the process of localization of the industry by mobilizing local resources from which we can generate employment opportunity, reduce poverty and import substitution. Most studies are found on the topic of CSI but it is dynamic in nature and depends on various factors. Therefore, this paper aims to update the existing status of CSI through using recent literature.

This study aims to be useful to governmental and non-governmental organization. Likewise, this study gives benefit to all those who are interested to know about it. It has made significance because this study identifies the problems and prospects of CSI and characteristics of CSI in the study area.

#### **1.5 Limitation of the Study**

The study is focused to selected CSI of Kathmandu valley only. The study is based on limited number of firms while attempt has been given to make it representative. It uses qualitative information on identifying the problems and prospects of CSI especially through KII.

#### **1.6 Organization of the Study**

The study has included five chapters where general background of the study, statement of the problem, objectives, significance and limitation of the study are remained in first chapter. The second chapter has included literature reviews on theoretical and empirical studies of national level and international level. Chapter three has included discussion about methodology of this study. Similarly, chapter four has included the problems and prospects of Metal Craft Industry. Finally, summary, conclusion and recommendation are remained in chapter five.

# **CHAPTER II**

## **LITERATURE REVIEW**

### **2.1 Theoretical Concept**

Industry has been defined differently according to country and time. In common sense, industry is the production of goods and services within an economy. Different countries have different concepts about the industry and its concept is modified according to advancement of technology.

Different countries have defined these categories in their own way. In UK, small firms were defined in 1969 as entities having less than 100 in the 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 business 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 ([www.wikipedia.org](http://www.wikipedia.org), 2002).

#### **2.1.1 Reviews of International Studies**

The Western countries have defined that labour intensive industries are cottage industries and Far East Asian countries classify cottage industries are those industries related to the traditional skills, local raw materials, labour intensive and small scale of capital. Indian cottage industry could not be classified by either technology or by units of investment.

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 (www.wikipedia.org, 2002).

The word SCI is itself different in various countries. In Japan, these are called Small Enterprises; in India, small industry. Some other countries call them rural or cottage industry. In Sweden and Germany, there is no official definition of small scale industry. These different expressions also indicate different meaning and scope of small scale industries in different countries (Ojha, 1987).

### **2.1.2 Reviews of National Studies**

Nepal has defined cottage and small industry differently before and after the Industrial Enterprise Act. The Industrial Policy 1993 defines that traditional industries utilize specific skills, local raw materials, resources and labour intensive are based on national tradition, art and culture which shall be termed as cottage industries and these industries with the fixed assets up to an amount of 30 (\$420 thousand) rupees shall be termed as small scale industries(MOI, 1993).

The terms cottage and small industries have 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.” 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 member either as a part –time job operate these industries. In most cases, outside labourers 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 labourers 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 2048 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 dairy milk, juice product and so on are some of the most important example of small industries in Nepal ( Kharel, 2005).

The Industrial Policy, 2011, has classified industries based on investment nature.

**i. Micro Enterprises:** For the purpose of this Policy, a micro enterprise means the enterprise having met the following conditions:-

- ) Where investment is up to two hundred thousand rupees as fixed capital except the house or land
- ) Where the entrepreneur himself/herself engaged in management
- ) Where there are up to nine workers including the entrepreneur
- ) Where the annual financial transaction is less than two million rupees, and
- ) If an instrument with engine is used, the electric motor or other oil engine capacity has to be less than ten kilowatt

Even if the aforesaid conditions have been fulfilled, an enterprise that requires permission, liquors, beer, cigarette, biri, or other tobacco goods or materials shall not be deemed to be a micro enterprise. Moreover, if an enterprise registered once as micro enterprise is upgraded as other industry, such an industry shall not be listed as a micro enterprise.



- ii. **Traditional and Other Cottage Industries:** An industrial enterprise that uses traditional skills and technology, the instruments and machinery based on local raw materials and associated with art and culture of the country and that uses electric power up to 10kilowatts as referred to Hand looms, paddle looms, semi-automatic looms, fabric, wrapping; dyeing, printing, sewing (except readymade, garment) and weaving through traditional technology, Hand woven *Radi, pakhi*, carpet, *pashmina*, and dress, based on wool and silk, Filigree and ornamental items based on traditional crafts, Traditional sculpture, Handmade utensils and handicrafts made of copper, brass, *dhalot*, kaash, and German silver, Handmade goods made of rural tanning/leather, Various handicraft items demonstrating traditional, culture, musical instruments, and arts, Decorative items made of wood, bone, horn, clay, stone, and artistic goods made from minerals etc.
- iii. **Small Scale industries:** An industrial enterprise other than those of microenterprises and traditional and other cottage industries having the fixed assets of up to 50 million rupees.
- iv. **Medium Scale Industries:** An industrial enterprise having the fixed assets more than fifty million to one hundred fifty million rupees.
- v. **Large scale Industries:** An industrial enterprise having the fixed assets of more than one hundred fifty million rupees.

The fixed assets of the industries include the following movable or immovable property:-

Land and land improvement (works such as land leveling, filling, retaining wall construction)

- a. Surface physical infrastructure (such as sewerage, internal road)
- b. Office, factory building, warehouse, electricity distribution, water supply system, and residential housing
- c. Machines, instruments and tools
- d. Transport vehicles

- e. Electricity, instruments, office equipments
- f. Furniture, fixture and furnishing, communication provisions and equipments

In addition to the property referred to in sub-section, the capitalized technical consultancy, before investment or at the various stages of construction phase and supervision expenses, pre-investment and pre-operation expenses and the capitalized interests to be charged during construction phase shall also be regarded to be the fixed assets of an industry ([www.lawcommission.93.gov.np](http://www.lawcommission.93.gov.np)).

The Industrial Policy, 2011, has classified Industrial Enterprises into 9 industries and any economic activity conducted by an individual, firm or company to produce goods or provide service, a profit-making objective shall be regarded as an industrial enterprise.

Industrial enterprises have been classified as follows based on nature of production and service:-

- i. Industries based on agriculture and forestry:** The businesses of production or processing from raw materials based on agriculture and forests product as referred to Horticulture/fruits processing, Food processing, Animal husbandry, animal breeding, avian farming avian breeding, Dairy Industries (including dairy products), Hatchery/chickens breeding, Fisheries/fish breeding, Herbs farming/herbs processing, Production of vegetable seeds and so on.
- ii. Production-oriented industries:** The industries producing goods having used raw materials or semi-processed raw materials or unused materials
- iii. Export-oriented industries:** The industries exporting 51% or more of their products to abroad

- iv. **Energy-oriented industries:** The industries producing energy from water resources, wind, solar power, coal, natural oil and gas, bio-gas and other sources
- v. **Mining industries:** The industries extracting and processing metallic and non-metallic minerals
- vi. **Tourism industries:** The enterprise that provides services to tourists as referred to Tourists residence, motel, hotel, resort, and restaurants, travel agency, tour operator, tourist guide, hilling centers, casino, massage, spa Adventure tourism, skiing, gliding, water rafting, hot air, ballooning, para sailing, horse riding, bunjee jumping, mountain expedition and observation Cultural, religious, conference and sports tourism, Wildlife conservation Mountain flights operation etc.
- vii. **Construction industries:** The enterprise that constructs and operated physical infrastructure as referred to Roads, bridges, tunnels, Ropeways, railways, tram, trolley bus, cable car, monorail, sliding car, Airport runways/airport, Industrial structure and infrastructure complex, water supply and distribution, Irrigation infrastructure, Power houses and energy transmission lines etc.
- viii. **Information and communication technology Industries:** Industrial enterprise relating to information, knowledge and communication having used technology for information collection, processing and transmission as referred to Technology parks, IT parks, biotech parks, Software development, Computer and allied services, Statistics processing, Cyber café, V-sat, internet services, telephone and cellular telephone services etc.
- ix. **Services industries:** Service industry refers to Service-oriented industrial enterprises such as Machinery workshop, Printing and printing services, Professional research and development, management, engineering and design, legal, accounting auditing, teachers trainings, educational and technical consultancy service, Cultural and entertaining business, Construction business, Public transport business etc.

**Prioritized Industries:** The industry refers to prioritized industry based on agriculture and forests products, construction Industries (to construct and operate), Energy-oriented Industries including power generation and distribution, Export promotion Industries, Industries relating to adventure tourism along with infrastructure, village tourism, eco-tourism, golf course, polo, pony trekking, trekking, water rafting, conference tourism, religious tourism, cultural tourism, fun park ,construction and operation, wildlife reserves, Mining industries, petroleum and natural gas exploration and extraction, Public transport enterprises, cold storage construction, Hospitals, nursing homes, veterinary hospital and clinics, Traditional cottage Industries and so on (www.lawcommission.93 gov.np).

The Industrial Policy 2011, has framed vision and main objectives of the Policy.

**Vision:** To make remarkable contribution in national economy through sustainable and broad-based industrial development in an effective, coordinated and collaborative partnership of public, private and cooperative sectors thereby to support poverty alleviation.

**Main objectives of the Policy:**

- ) To increase export of industrial products along with growth in national income and employment through enhancement of quality and competitive industrial products and productivity;
- ) To increase contribution of industrial sector in the balanced national and regional development by mobilizing local, resources, raw materials, skills and means;
- ) To establish industrial entrepreneurship as a sustainable and reliable sector by utilizing latest technology and environment friendly production process;
- ) To create strong basis of investment having developed productive human resources and managerial capacity required for industrial

development thereby establish Nepal as an attractive place for investment in the South Asian region and in the world as well by;

) To protect industrial intellectual property rights.

The two words cottage and small industry give us the idea of small type manufacturing unit which is generally handled by household level in which family members work as full timer and use locally available raw materials. Cottage industries are producing goods required for daily consumption. Therefore, people are self-sufficient in respect to several consumption goods. Cottage industries are more or less manufactories depending on resources coming from outside and more of them depending on a large scale industry for the supply of semi-finished products (Kharel, 1993).

The Industrial Enterprise Act, 1992 classified enterprises in four categories which were Cottage, Small, Medium and Large. Small scale industry has three million fixed capital, Medium scale has three to ten million and Large scale industry has more than ten million fixed capital. However, this categorization is based on the level of determined investment. The nature and origin of different types of enterprises and their size in terms of employment have not been taken into consideration in this classification. According to the Act, the traditional mobilizing specific skills or raw materials and sources and labour intensive and related with national custom, art and culture termed as cottage industries (Sapkota, 1999).

**2.2 Reviews of Empirical Studies:** This study has tried to review latest national and international empirical studies.

### **2.2.1 Reviews of International Studies**

In India, unemployment and underemployment 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 play a vital role in the overall economic development in the country. Asian

community treats the cottage industries as the traditional skills oriented or indigenous raw materials based or small units of industries as cottage industry. In India, the cottage industry could not classify by either technology of production or units of investment. Indigenous raw material based or handicraft based or handloom based industries are called cottage and small industries.

Cottage industries have certain peculiarities which make forthcoming 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.

The government of India is actively trying to promote industrial growth by assigning important role to the sector in the attainment of several major objectives of five year plans. Two million persons are engaged in cottage and small industries 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 continues to be one of the important export items (Agrawal, 1980).

According to the report of UNIDO, 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 (UNIDO, 1978).

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

The 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 specially in developing country like India due to their contribution to income generation, employment GDP and export earnings. The western community thinks that labour intensive industries are cottage industries where as Far East Asian treats the traditional oriented or indigenous 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 (Baruan, 2000).

The small scale industries generate employment on a large scale. These industries by men with average skill and being essentially labour 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 this 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 found that 82,575 people are employed (Joshi, 2002).

The problems that are not properly promoted and therefore, the number of employment in this institution is decreasing. Since the bulk of the technicians are master weavers work for middle man and bargaining power is weak and get low margin of profit. The GICI has 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 product is very complicated. There are no internationally accepted methods of payment or letter of credit system. Rather there are hurdles as regard to the foreign exchange facilities. There is shortage of capital among handicraft artisans and

no availability of the credit without collateral. The industries are closing their operation due to the unavailability of woods raw materials.

Based on his research he recommends that program should be formulated keeping in mind that 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 products. Modern technologies should be introduced keeping in mind that 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 mechanical tools development center for the production of the handicrafts is indispensable for increasing the production capacity of handicrafts industries in Sikkim (Shrivastava, 2002).

The CSIs are labour-intensive and provide employment to 80 percent of the industrial labour 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 labour 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 (Ahamed, 2004).

The research article has showed the impact on economic development of small scale industry. He expressed that Pakistan's economy development policies favoured capital-intensive technology choices, ignoring the fact 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 overwhelming majorities 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 (Juneo, 2008).

The article has introduced that small and cottage are those industries whose capital is supplied by the proprietor or through means like partnership or form financing agencies set up for this purpose etc. Those industries generally use power driven machines and also employ modern method of production, engage labour 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 (Pandey, 2013).

The article has analysed 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 (Thaga, 2013).

The 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 effect expansion of the business. In most cases, the owners are members of the family and friends. In his study, some objectives are to enlighten Nigerians on the contribution of SCI to the growth economy, encourage Nigerians to be their own boss and in the same way help eradicate poverty in Nigeria, encourage indigenization of industries. He used secondary data and correlation and regression technique to analyze the data. He found out that the main sources of fund for small scale enterprises in Nigeria are personal saving, 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 per cent of total employment, there is strong positive relationship between small scale industries and employment, there is significant relationship between small scale industries and employment generation (Stephen, E.O. 2013).

### **2.2.2 Reviews of Nepalese Studies**

Small and Cottage industries offer a means where by new employment opportunities can be created in rural area.

It is clear that the prosperity of a country depends upon its all round development of economy and industrial development plays a vital role in accelerating the progress of a country. There is a great demand of speedier industrialization of many hungry nations. Though Nepal was quite late to be influenced by the succeeding industrial development that were taking place around the world until 1940's when we started having a few modern agro based and forest based industries, even if cottage and village based industries have long and successfully history in Nepal (Malla, 1979).

The main problems are the trainings conducted by the concerned government institution have not able to create the business. The training is being given for training sake. Moreover, the trainings have been organized without appraising correctly the training needs and desires 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 can not 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 suggestions 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 or 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 (Sharma, 1982).

A cottage industry is a system of production which takes places 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. This study depends upon two objectives which are to do several survey of wearing units of Kirtipur and to highlight the picture of production, employment and marketing. This study depends upon the primary data which are collected through questionnaire method. She has found out that about 80 per cent of 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 the 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 reorganized. 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 (Shrestha, 1985).

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 is help maximum utilization of local resources. The objective of his study is to find out the problem and prospects of hand loon textile industries in Kathmandu Valley. For this, he focused on objectives that to access the evicting financial, production and marketing condition of the handloom textile industries in the Kathmandu Valley, find out the problems being faced by these industries, evaluate the prospect for development of such industries and 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 industries and people engaged in this sector used to buy raw materials from local market. Similarly, labour cost and the standard of labour 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 favourable 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 (Karjit, 1997).

Nepal is gradually going for the industrial development. There are many problems to run and establish small and cottage 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 material in the agro based industries. So there is necessary to provoke for its further development about the small and cottage industry in 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 lack of skills 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 5 persons, 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 is why workers are compelled to live far from the modern facilities (Khanal, 2003).

The article has remarked the brochure of cottage industry digest. He says that as small industries do not 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 (Aryal, 2004).

As the number of unskilled labour 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 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 works. Trade unions of instant noodles industry's labour must be organized and master system must be eliminated (Lalchan, 2006).

The small and cottage industries are also the foundation stone of large scale industries. The development of small and cottage industries increases the income and purchasing power of the people. And it helps for maximum utilization of local resources. Moreover, the small and cottage industries play important role in preserving traditional art, skill and culture. It has helped to introduce Nepal and its tradition and culture and different in different countries. Similarly, the small and cottage industry can contribute in import substitution, increase foreign exchange earnings and 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 (Panta, 2006).

Some prospects that increase self-employment, use local labour, skills and resources, easy to establish, basis for foreign trade, preservation of art and culture, sources of foreign currency, preserves industrial conflict and low pollution. On the other hand, some problems pointed by Gautam are as: Lack of capital, infrastructure, education and training, raw materials, proper market, fuels, peace and political conflict and high competition (Gautam, 2007).

An article has explained that the frequent bandhas in the Eastern Tarai have led to an acute shortage of raw materials in Sunsari forcing more than 70 units to shut down. He has found out that about 50 of these units have been forced to close down due to the repeated strikes by workers and the rest have closed down due to the shortage of raw materials. If the situation of ongoing bandhas 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 registered industries are on the verge of closure. According to him, adding that transportation of raw materials is difficult due to frequent bandhas. 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 (Bastola, 2007).

The 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 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 main problems, CSIs have to use local market, training should be given for unskilled labour, 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 ( Gurung, 2008).

The cottage industries being labour oriented utilize less capital and provide more employment. Besides this, more important contribution of it is to provide the shifting or surplus labour from land which is being a burning problem in most of the less developed countries of SAARC countries. Adhikari in his study explains the problems and prospects of CSIs in Palpa District, some objectives are to study the problems and prospects of labour employed in CSIs in Palpa District, analyze the problems and prospects of production and marketing of CSIs in Palpa District and investigate the problems and prospects of financial resources in CSIs. The study depends upon primary data. He used descriptive and analytical research design. He found out that labour 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 taken loan from local money lenders which very conservative. Local raw materials are using but also promote the mass people. More than half industries earn more than Rs. 10,000 per month (Adhikari, 2010).

The CSIs play 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 labour intensive, more people get employment. His study has some objectives to analyze the



problems faced the biscuit industries during the production process in the study area and examine the prospects of the industries and bring for the socio-economic status of the workers working on those industries. The study depends upon primary and secondary data. He used analytical and descriptive research design. He finds out that maximum labours 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 ( Bhattarai, 2011).

The small industries do not 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 to identify the current situation of CSIs in the study area and study the effect of CSIs on employment, education and health in study area. The study depends upon primary as well as secondary data. He used descriptive and analytical research design. He concluded that only few female labours are involved in the CSIs of the study area. The labour who engaged in the CSIs of the study area, all of the labours check up their health from the government hospital. The main problem is that most of the labours are working more than 8 hours and another problem of CSIs of the male and female salary discrimination ( Paudel, 2011).

The 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 to study the problems and prospects of labour employed in CSIs, analyze the problems and prospects of production and marketing of CSIs and suggest recommendations for the enhancement or promotion of such industries.

The 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 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 is affected by limited market, 26 percent of production of CSIs is affected by unskilled manpower and remaining is affected by other problems. 48 percent entrepreneurs are highly educated, 41 percent have secondary, 7 percent are literate and 4 percent have primary level education ( Ghimire, 2013).

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

This chapter provides brief discussion about methodology adopted in this study. It highlights the tools for data collection, data collection process and method of analysis.

#### **3.1 Research Design**

According to the purpose of the study, the research design has based on the descriptive as well as analytical framework. This research design has involved the systematic collection, presentation of data and analysis of the data.

#### **3.2 Nature and Sources of Data**

This study has used both primary and secondary data. The primary data are collected through field survey, structured questionnaire method and secondary data are collected from various published as well as unpublished sources such as book-let, books, journals, magazines, dissertation, articles. Both qualitative and quantitative nature of data are used to generate and analyse the objective of the study.

#### **3.3 Population and Sample**

The sampling process is based on the objective of the study. Kathmandu district is the study area of this study and more industries are registered in Kathmandu district than other districts. In FY 2012/13, 3336 Cottage and Small Industries are registered in Kathmandu district. Among them, 765 Production-Oriented Industries, 22 Energy-Oriented Industries, 919 Tourism Industries, 82 Agro and Forest based Industries and 1534 Services Industries are remained.

The Production-Oriented Industry is such industry where almost more than 102 types of industries are included in the category of Cottage and Small Industry. Therefore, this study has taken Metal Craft Industry to meet the objective of the study and 58 metal craft industries are registered.

To represent the elements of universe, Random Sampling is taken. 30 Metal Crafts industries are selected in the Kathmandu district for the representativeness of sample. The sample was drawn using simple random sampling. Lottery method was applied and sampling frame was prepared from the information booklet published by Ministry of Industries, Government of Nepal.

### **3.4 Instrument of Data Collection**

The interview method is used to collect required data through structured questionnaire and field observation. Specially, the questionnaire has focused on the aspect of finance, raw materials, electricity, market condition to find out information about Nepalese CSIs Industry.

### **3.5 Field Implementation**

The study was enumerated by the researcher itself at Boudha, Sinamangal, Hattigauda, Jorpati of Kathmandu district in 2014 taking time period almost 6 months to collect information about CSIs through structured questionnaire, face to face interview with respondents where respondents were owners, staffs and employees as well. Almost all interviewees were provided information but they did not provide sufficient information of questionnaire in case of finance relating to income, expenditure, loan, size of capital; human resources relating to the education; relating to the prospects of their industry.

### **3.6 Method of Analysis**

The collected data are analysed and interpreted carefully to make validity, reliability in a systematic way and the data are transformed into information. The tables are used by editing, coding, tabulating, organizing the data. The quantitative data are presented in terms of percentage and qualitative data are analyzed by descriptive way.

# CHAPTER IV

## PROBLEM AND PROSPECT OF METAL CRAFT INDUSTRY

This chapter includes the problem and prospect of Metal Craft Industry, and present status of CSI as well as characteristics of Metal Craft Industry.

### 4.1 Present Status of Cottage and Small Industry

Present status of CSI includes the category of the industry, category of industrial enterprises, number of CSIs registered from the beginning to Fiscal 1012/13, number of industries registered in Kathmandu district and top 10 districts on the basis of industry registration.

#### 4.1.1 Category of Industry on the Basis of Nature of the Investment

Nepalese industries are divided into five categories according to nature of the investment by the Industrial Policy, 2011 where Micro Enterprises, Traditional and Other Cottage Industries, Small Scale Industries, Medium Scale Industries and Large Scale Industries

Table 4.1.1  
Category of Industry

S. N.	Category of Industry	Fixed Assets
1.	Micro Enterprises	Investment up to two hundred thousand rupees as fixed capital except the house or land
2.	Traditional and Other Cottage Industries	-
3.	Small Scale Industries	Up to 50 million rupees
4.	Medium Scale Industries	More than fifty million to one hundred fifty million rupees
5.	Large Scale Industries	More than one hundred fifty million rupees than fifty million to one hundred fifty million rupees

Sources: Department of Cottage and Small Industry, 2013

#### **4.1.2 Category of Industrial Enterprises on the Basis of Nature of Production and Service**

The Industrial Policy, 2011, has classified Industrial enterprises into 9 categories. As for the purpose of this policy, industrial enterprise is any economic activity conducted by an individual, firm or company to produce goods or provide service, a profit-making objective.

Table 4.1.2  
Category of Industrial Enterprises

S. N.	Category of Industrial Enterprise
1.	Industries based on Agriculture and Forestry
2.	Production-Oriented Industries
3.	Export-Oriented Industries
4.	Energy-Oriented Industries
5.	Tourism Industries
6.	Construction Industries
7.	Information and Communication Technology Industries
8.	Mining Industry
9.	Services Industries

Sources: Department of Cottage and Small Industry, 2013

#### **4.1.3 Number of CSI Registered from 1994/95 to 2012/13(Based on Classification)**

The Industrial Act, 1992, has initiated the registration system of industry for conducting any type of industry but as for CSI, industries should be registered within 6 months of conducting industry. From the Fiscal 1994/95 to 2012/13, grand total registered industries are 207172.

Table 4.1.3  
Number of CSI

S. N.	Classification of Industry	1994/95 to 2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	Grand Total
1	Production Oriented	6506	3290	3988	4092	4746	5223	5146	91491
2	Energy Oriented	101	39	51	9	42	33	57	1272
3	Agro and Forestry	259	377	611	578	855	1564	2683	9217
4	Mining	23	24	654	3	65	35	40	1084
5	Tourism	476	920	3983	1419	1707	3146	2799	18150
6	Service	34511	4480	8025	6649	7052	7901	8570	77188
7	Construction	7442	252	410	270	191	117	88	8770
	Total	114988	9382	17722	13020	14658	18019	19383	207172

Sources: Department of Cottage and Small Industry, 2013

Table 4.1.3 shows total registered industries 114988 from the beginning to 2006/7 and grand total 207172 up to 2012/13. Among these industries, Production Oriented Industries are highest.

#### 4.1.4 Number of CSI Registered from 1994/95 to 2012/13 in Kathmandu District on the Basis of Classification

On the basis of classification, 6 types of industries are registered in Kathmandu from the Fiscal 1994/95 to 2012/13.

Table 4.1.4  
Number of Industries

S. N.	Classification of Industry	Registered Industry
1	Production Oriented	9101
2	Energy Oriented	169
3	Agro and Forestry	471
4	Tourism	8785
5	Service	15868
6	Construction	86
	Total	34480

Sources: Department of Cottage and Small Industry, 2013

#### 4.1.5 Number of CSI Registered in Fiscal 2012/13 in Kathmandu District on the Basis of Classification

In 2012/13, 5 types of industries are registered in Kathmandu district on the basis of classification.

Table 4.1.5  
Number of Industries

S.N	Classification of Industry	Registered Industry
1	Production Oriented	765
2	Energy	22
3	Agro Based and Forestry	82
4	Tourism	919
5	Service	1534
Total		3336

Sources: Department of Cottage and Small Industry, 2013

#### 4.1.6 Number of CSI Registered from 1994/95 to 2012/13 in Kathmandu District

From the Fiscal 1994/95 to 2012/13, 42391 industries are registered in Kathmandu District.

Table 4.1.6  
Number of Industries

S.N.	Fiscal Year	Registered Industries
1	1994/95 to 2006/7	24242
2	2007/8	1957
3	2008/9	4290
4	2009/10	2444
5	2010/11	2831
6	2011/12	3291
7	1012/13	3336
Total		42391

Sources: Department of Cottage and Small Industry, 2013

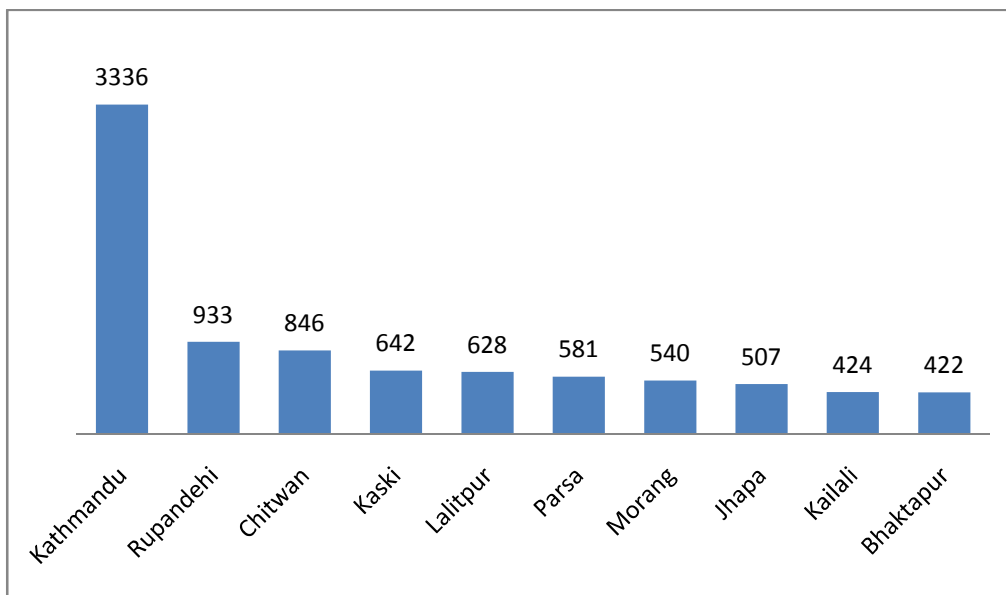


#### 4.1.7 Top 10 districts on the Basis of CSI Registration in 2012/13

In 2012/13, 3336 industries are registered in Kathmandu district which is highest of 10 districts and 933, 846, 642, 628, 581, 540, 507, 424, 422 industries are registered in Rupandehi, Chitwan, Kaski, Lalitpur, Parsa, Morang, Jhapa, Kailali and Bhaktapur respectively.

Figure 4.1

Number of Industries of Top 10 Districts in 2012/13



Source: Industrial Statistics, 1012/13

#### 4.2 Characteristics of Metal Craft Industry

This includes personal characteristics of entrepreneur as well as economic characteristics of metal craft industry

##### 4.2.1 Personal Characteristics of the Entrepreneur

Caste, age, and sex of entrepreneur are taken in personal characteristics of entrepreneur.

#### 4.2.1.1 Caste of Entrepreneur

Metal Craft Industries are conducting from different castes. Among different castes, Aadibashi/Janajati is remained higher than other castes. The main reason of highest number of Aadibashi/Janajati in entrepreneur is traditional art skills of theirs passing from generation to generation.

Table 4.2.1.1

##### Caste of Entrepreneur

S. N.	Type of Caste	No. of Industry	Percentage
1.	Dalit	1	3.3
2.	Aadibashi/Janajati	14	46.7
3.	Chhetri	5	16.7
4.	Madhesi	3	10
5.	Brahmin	7	23.3
6.	Others	-	
Total		30	100.0

Source: Field Survey, 2014

The table 4.2.1.1 shows highest per cent of Aadhibasi/Janajati by 46.7 in caste of owner of industry after that Brahmin, Chhetri, Madhesi and Dalit remained 23.3, 16.7, 10 and 3.3 per cent respectively where 3.3 per cent Dalit is lowest.

#### 4.2.1.2 Sex of Head of Enterprise

Among male and female, the participation of male is remained higher than female in head of enterprise.

Table 4.2.1.2

##### Sex of Head of Enterprise

S. N.	Sex	No. of Industry	Percentage
1.	Male	26	86.7
2.	Female	4	13.3
Total		30	100.0

Source: Field Survey, 2014

The table 4.2.1.2 shows the higher participation of male in head of enterprise than female by 86.7 per cent in this industry.

#### **4.2.1.3 Age Group of Entrepreneur**

The age of 15 to 60 is taken to know about age group of entrepreneur.

Table 4.2.1.3  
Age Group of Entrepreneur

S. N.	Age Group	No. of Industry	Percentage
1.	15-30	2	6.7
2.	30-45	5	16.7
3.	45-60	16	53.3
4.	>60	7	23.3
Total		30	100.0

Source: Field Survey, 2014

The table 4.2.1.3 shows participation of entrepreneurs by age in industry where 53.3 per cent participation of age group between 45 to 60 is remained higher than others, 16.7 per cent of 30 to 45 age is remained higher after age of 45 to 60 and 6.7 per cent of age of 15 to 30 is lowest.

#### **4.2.2 Economic Characteristics**

Employment status of enterprise, employment status of male and female, capital size of industry, products and raw materials of metal Craft Industry are involved in economic characteristics.

##### **4.2.2.1 Employment Status of Enterprise**

This industry is providing employment to both skilled people and unskilled people. The entrepreneurs are facing problems of skilled labour. Going skilled labour to the gulf country in the form of migrant worker is one of the most problems of this.

Table 4.2.2.1  
Employment Status of Enterprise

S. N.	No. of Employees	No. of Industry	Percentage
1.	5-10	2	7
2.	10-15	10	33
3.	15-20	18	60
Total		30	100

Source: Field Survey, 2014

Table 4.2.2.1 shows the percentage of employment provided by industry to both skilled and unskilled people where maximum industries have provided maximum employment. 18 industries have provided highest employment in range of 15 to 20 employees, indicated that highest by 60 per cent. 10 industries have provided number of employment from 10 to 15 and percentage remained 33. From 5 to 10 employment is provided by 2 industries which is lowest number of employment.

#### 4.2.2.2 Employment Status of Male and Female

This study has shown poor status of women for getting employment in Metal Craft Industry because of lack of skills.

Table 4.2.2.2  
Employment Status of Male and Female

S. N.	Description		No. of Industry	Percentage
	No. of Employee	Male/Female		
1.	0-5	Female	8	27
2.	5-10	Male	22	73
Total			30	100

Source: Field Survey, 2014

Table 4.2.2.2 shows the highest percentage of employment of male than female by 73. 22 industries have provided employment to male at least from 5

to 10. Among maximum industry of metal craft industry, minimum industry has provided minimum employment to female employees because of lack of traditional art skills and training institution. Some industries give training to new employment but industries do not provide determined wages during training phase and getting low wage decreases number of women employees.

#### 4.2.2.3 Capital Size of Industry

All industries have invested more than 1 million but less than 50 million rupees. They did not provide actual capital size of industry therefore this study has tried to know approximate capital size by taking range of capital size.

Table 4.2.2.3  
Capital Size of Industry

(Rs in mln)

S. N.	Description	No. of industry	Percentage
1.	0-5	8	27
2.	5-10	10	33
3.	10-15	6	20
4.	15-20	6	20
Total		30	100

Source: Field Survey, 2014

Table 4.2.2.3 shows 10 industries having 33 per cent capital in 5 to 10 million rupees, 8 industries having 27 per cent in 5 million rupees, 6 industries' 20 per cent in 10 to 15 million rupees, and other 6 industries' 20 per cent in 15 to 20 million rupees where highest size of capital of 6 industries is 20 per cent in 15 to 20 million rupees and lowest size of capital is remained 27 per cent in 5 million rupees. But 33 per cent is highest number of industries having 5 to 10 size of capital

#### 4.2.2.4 Products of Metal Craft Industry

Products of the metal craft industries are divided into two categories.

Table 4.2.2.4  
Products of Metal Craft Industry

Description	
Statue	Utensils
Icon based on Buddhism Hinduism such as singing bowls, Buddha thangka, god goddess statue	Flowers vases, bells, cymbals, wine jar, tea pot white etc.

Source: Field Survey, 2014

#### 4.2.2.5 Raw Materials of Metal Craft Industry

Maximum raw materials are imported from outside countries and internal raw materials are second hand goods made of brass, iron, silver and others.

Table 4.2.2.5  
Raw materials of Metal Craft Industry

Internal Raw Material	External Raw Material
Old goods made of Brass, Copper, Iron, Silver, White Metal, Zinc, Bronze (second hand goods)	Brass, Copper, Iron, Silver, White Metal, Zinc, Bronze,

Source: Field Survey, 2014

#### 4.3 Problem of Metal Craft Industry

Specially, this study has focused on the problem of finance, electricity, raw material, market. Apart from this, the set of questionnaire has also focused on other problems faced by industries.

### 4.3.1 Access to Finance

In this study, 30 Metal Craft industries are taken for sampling and sample is drawn using simple random sampling. Among 30 industries, most of the industries are taken loan from the financial institutions like commercial bank, development bank and others. To get loan from the financial institutions is easy but some collateral such as project, land, building should be kept. Almost every industry has taken loan from financial institution.

Table 4.3.1  
Access to Finance

S.N.	Description	No. of industry	Percentage
1.	Loan from bank	21	70.0
2.	Loan from lenders	4	13.3
3.	Loan from friends and relatives	5	16.7
Total		30	100.0

Source: Field Survey 2014

Table 4.3.1 shows the 70 per cent access to finance of industry by financial institutions, 16.7 per cent from friends and relatives and 13.3 percent from lenders where 70 per cent is remained highest. Comparatively, loan from relatives and friends is higher than lender and loan from lender is remained lowest.

#### 4.3.1.1 Information about Size of Loan of Entrepreneur

Maximum entrepreneurs have taken loan but they did not provide sufficient information about how much amount is taken for industry. Therefore, the researcher has taken range of loan to know about approximate amount of loan.

Table 4.3.1.1

## Size of Loan

S. N.	Description	No. of Industry	Percentage
1.	0-5	9	30
2.	5-10	11	37
3.	10-15	10	33
Total		30	100

Source: Field Survey 2014

Table shows the maximum industries taken loan between 5 to 10 million rupees by 37 per cent, 10 industries' loan 33 per cent between 10 to 15 million rupees and 9 industries' 30 per cent between 0 to 5 million rupees where 37 per cent is highest and 30 per cent is lowest.

#### 4.3.1.2 Possibility of Getting Loan

If collateral such as project, land, building is ready to kept in financial institution, getting loan is less easy but the entrepreneurs have not got loan according to their demand. They are compelled taking loan in higher interest rate.

Table 4.3.1.2

## Possibility of Getting Loan

S. N.	Description	No. of Industry	Percentage
1.	Land	4	13
2.	Project	16	53
3.	Building	5	17
4.	Others	5	17
Total		30	100

Source: Field Survey 2014

Table 4.3.1.2 shows that if collateral is kept in financial institution, the possibility of getting loan becomes highest for the entrepreneurs, 53 per cent is remained higher per cent by keeping project than other collaterals, 17 per



cent by keeping building and others and 13 per cent by keeping land which is remained lowest.

#### **4.3.2 Access to Electricity.**

Minimal availability of electricity is main problem of industry. They do not have any alternative way to electricity for the production process because of additional cost and this additional cost is higher than electricity. Condition of access to electricity is seen very poor in industrial sector.

Table 4.3.2  
Access to Electricity

S.N	Condition of Electricity	No. of industry	Percentage
1.	Insufficient electricity	21	70
2.	Sufficient electricity	0	0
3.	Minimal availability	9	30
Total		30	100

Source: Field Survey, 2014

This table shows weak access to electricity. Industrial sector has highly suffered from problem of electricity. Insufficient electricity is remained 70 per cent higher than others. 30 percent minimal availability of electricity indicates no access to electricity for industry.

##### **4.3.2.1 Alternative Way to Electricity**

No one industry is using alternative ways to electricity for the production process because using alternative electricity gives higher cost than electricity. It includes additional cost and this cost cannot afford by industry.

Table 4.3.2.1

## Alternative Way to Electricity

S. N.	Description	No. of Industry	percentage
1.	Yes	0	0
2.	No	30	100
Total		30	100

Source: Field Survey, 2014

Table shows 100 per cent for not using of alternative way to electricity, maximum industries depend upon electricity because of low cost than others.

### 4.3.3 Access to Raw Material

Raw material is one of the determinant factors for the success and failure, loss and profit, quality and quantity of the industry. In the context Metal Craft Industry, most of the raw materials are imported from the outside country.

Table 4.3.3

## Access to Raw Material

S. N.	Description	No. of Industry	Percentage
1.	Both internal and external	11	37
2.	external greater than internal	13	43
3.	Only internal	0	0
4.	Only external	6	20
Total		30	100

Source: Field Survey, 2014

Table shows use of both internal and external raw materials and no one industry uses only internal raw materials. Both internal and external raw materials using industries are 37 per cent. Among the both internal and external raw materials, external raw material is higher than internal which is remained 43 highest per cent. Only 20 per cent use of external raw material indicates this industry is based on external raw material and scarcity of local raw materials.

#### 4.3.4 Condition of Raw Material

This industry has imported maximum raw materials from the outside country.

Table 4.3.4

Condition of Raw Material

S. N.	Description	No. of Industry	Percentage
1	Sufficient	17	57
2.	Insufficient	13	43
Total		30	100

Source: Field Survey, 2014

Table shows 57 per cent raw materials sufficient for industry and 43 per cent insufficient raw materials.

#### 4.3.5 Condition of Man Powers

All types of man powers are using in this industry such as skilled, unskilled, and semi-skilled.

Table 4.3.5

Condition of Man Powers

S. N.	Description	No. of Industry	Percentage
1.	Skilled	6	20
2.	Unskilled	19	63
3.	Semi-skilled	5	17
Total		30	100

Source: Field Survey, 2014

Table shows 63 per cent unskilled man power of industry, only 20 per cent skilled man power and 17 per cent semi-skilled. 63 per cent is remained higher unskilled man power than others and 17 per cent semi-skilled man powers imply lack of skilled man powers.

#### 4.3.6 Technology of Enterprise

In the context of Metal Craft Industry, modern technology is required to compete with the product of other countries but lack of sufficient capital, almost maximum industries are using traditional technology.

Table 4.3.6  
Technology of Enterprise

S.N.	Description	No. of Industry	Percentage
1.	Traditional Technology	20	67
2.	Intermediate Technology	6	20
3.	Modern Technology	4	13
Total		30	100

Source: Field Survey, 2014

Table shows 67 per cent traditional technology, 20 per cent intermediate technology and 13 per cent modern technology where traditional technology is remained higher than modern technology.

#### 4.3.7 Need of Modern Technology

The entrepreneurs are feeling the need of modern technology to improve quality and increase quantity of the product.

Table 4.3.7  
Need of Modern Technology

S. N.	Need of Modern Technology	No. of Industry	Percentage
1.	Yes	26	87
2	No	4	13
Total		30	100

Source: Field Survey, 2014

The table shows 87 per cent need of modern technology in industry and 13 per cent industry has already used modern technology.

### 4.3.8 Access to Market

One of the major constraints of cottage and small industries to get advantages in Nepal is the poor access to market. Nepalese product has marketing problem as well as supply of raw materials. The problems of internal market are basically related with quality of the products, transport difficulties, high cost of production, stiff competition with imported goods, open border and country's geographical features. With the introduction of the government's policy of privatization and liberalization, Nepal almost became the free market for foreign goods, while its own products have to face restriction and stiff challenges even in the developed countries. If infrastructure projects like roads, bridge, hydro electricity come into operation, the huge demand may increase for this products. These problems as well as syndicate system are the main problems for produced goods and raw materials.

#### 4.3.8.1 Market Condition

Nepalese metal craft productions are facing competition with machine made Chinese craft which are reducing both internal and external market. Even though, Nepalese products are getting both domestic market and foreign market such as U.S., Germany, Britain Canada, Japan, France, China, India and other countries.

Table 4.3.8.1  
Market Condition

S.N.	Description	No. of Industry	Percentage
1	Domestic Market	20	67
2	External Market	10	33
Total		30	100

Source: Field Survey, 2014

Table shows 67 per cent domestic market, 33 per cent external market. The product of Metal craft industry is getting both internal and external market but internal market is remained greater than external.

#### 4.4. Other Problems

Besides above problems, to find out other problems, some lists of problems are taken by the researcher in industry sector such as problems of unskilled manpower, lack of modern technology, lack of capital, political instability, industrial labour relation, high competition of the product between high quality goods and low quality. To know about what are the other problems and prospects of enterprises, some problems and prospects are listed and each and every respondent of every industry has given answer 'Yes' if he/she has problems and prospects and otherwise answer is 'No'.

Table 4.4  
Other Problems

S.N	Description	Yes from how many Industries	No from how many Industries	Total
1.	Industrial insecurity	5	25	30
2.	Minimal availability of energy	9	21	30
3.	Weak infrastructure	15	15	30
4.	Lack of competent human resources	8	22	30
5.	Lack of capital	20	10	30
6.	Lack of financial institution	4	26	30
7.	Weak capacity to adopt new technology	6	24	30
8.	Lack of loan	14	16	30
10.	Political instability	3	27	30
11.	Industrial labour relation	3	27	30
12.	Lack of labour	23	7	30
13.	Lack of skilled labour	19	11	30

14.	Scarcity of raw materials	13	17	30
15	Lack of training	25	5	30
16	High competition of the product	26	4	30
17.	Lack of thinking that industrial enterprises as a means of livelihood	4	26	30
18.	others	14	16	30

Source: Field Survey, 2014

Table shows that industries are facing problems of Minimal availability of energy, Weak infrastructure, Lack of capital ,Weak capacity to adopt new technology, Lack of loan, Lack of skilled labour, Lack of capital, Scarcity of raw materials, Lack of training, High competition of the product and others.

#### **4.5 Prospects of CSI**

Industrialization process is indispensable process for economic development. National income, per capita income, output and employment can grow at a faster rate only through development of industrial sector utilizing the existing local raw materials, skills and resources. In the context of Nepal, establishing of CSI sector has great possibilities due to the geological and geographical structure of Nepal. If problems of CSIs are solved timely, Nepal can achieve the target of poverty reduction, unemployment reduction by the development of CSI. Government of Nepal should promote and develop CSI to provide productive employment to the Nepalese people in least developed region. In order to promote these CSIs and to bring effectiveness in CSIs, various kind of support services and assistances are needed. Then CSIs have huge prospects to reduce poverty, increase employment opportunity, utilize local raw material,

skills, resources, use of modern technology, to expand market to promote output and export.

Metal Craft Industry shows high potentialities of prospects. According to Metal Craft industry, Nepal can earn foreign currency through export in international market.

Table 4.5  
Prospects of CSI

S.N	Description	Yes from how many Industries	No from how many Industries	Total
1	Poverty Reduction	28	2	30
2	Employment Opportunity	29	1	30
3	Import Substitution	25	5	30
4	Utilization of local resources, raw materials, skills	26	4	30
5	Market Expansion	28	2	30
	Others			30

Source: Field Survey, 2014

Table 4.5 has shown that prospects of Poverty Reduction, Employment Opportunity, Import Substitution, Utilization of local resources, raw materials, skills, Market Expansion and others.



# CHAPTER V

## SUMMARY, CONCLUSION AND RECOMMENDATION

### 5.1 Summary

This study has tried to find out problem and prospect of Nepalese Cottage and Small Industry taking a study of Metal Craft Industry where 30 industries are drawn using simple random sampling for the representativeness of sample to meet the objectives of the study and almost 58 metal craft industries are registered.

The present status of registered CSI shows Kathmandu is the highest district of top 10 districts and these industries are suffering from various problems. This study has specially focused on the aspect of finance, market, raw materials, electricity to find out what are the problems of metal craft industry through field survey taking structured questionnaire where face to face interview is taken with respondents. This study has found out problems of finance, electricity, market, raw materials. Among these problems, problems of electricity and finance are higher than market and raw materials. Besides these problems other lists of problems are taken and this study shows that reduced problems of political instability, lack of financial institution, industrial insecurity, industrial labour relation, lack of competent human resources, lack of thinking that industrial enterprises as a means of livelihood which are shown main problems of industry in previous study.

Similarly, this study has found out many prospects. If problems of finance, electricity, raw materials, market are solved by both governmental agencies and non-governmental agencies, metal craft industry has high potentialities of prospects such as prospects of reducing poverty, increment of employment opportunity, import substitution; utilization of local resources, raw materials, means, skills; international market as well as contribution to Gross Domestic Product and this consequence of solving problems of Metal Craft Industry indicates CSI has lots of prospects in Nepal. However, metal craft industries

are creating prospects in Kathmandu by facing various problems but prospects are not getting expected success.

## **5.2 Conclusion**

This study finds out some conclusions. Industrialization process is key process and indispensable for economic development of Nepal. In spite of various problems metal craft industries have a lot of prospects.

- ) If problems of CSIs are solved on time, development of CSI sector has great possibilities due to the geological and geographical structure of Nepal.
- ) CSI has been providing productive employment to the Nepalese people utilizing the existing local raw materials, means, skills and resources.
- ) Metal Craft Industries are highly facing problems of electricity, raw materials, market, finance, skilled manpower as well as other problems.
- ) Metal Craft Industry produces goods made of metal such as tea pot, singing bowl, different figures of animal, god, goddess and other ritual arts and it has high potentiality of earning foreign currency through export in international market.
- ) Industrial sector is backbone of nation for economic development. Therefore, Government sector as well as private sector should make industrial environment for protection and development of industries in both developed region and least developed region.

## **5.3 Recommendations**

This study has shown problems of metal craft industry on the aspect of finance, market, raw material, electricity, labour and this study recommends government's role is crucial to reduce these problems.

- i.** Metal Craft industries are producing goods from external raw materials because of lack of internal raw materials. Besides, insufficient electricity is also major challenge and it is recommended providing subsidy on alternative electricity to minimize the problems.
- ii.** The entrepreneurs are suffering from the financial problem. Banks have been investing by keeping the project as collateral even though providing loan is small loan for such industries. The entrepreneurs are also struggling to bear the very high interest rate charged by banks and financial institutions. Therefore, government and financial institution should act for reducing these problems.
- iii.** Obviously, labour is most important factor for the industry rather the skilled labour is key factor for Metal Craft Industry. The traditional art skill is still transferring from generation to generation and artisans follow old-age designs and production technology. Industry is facing lack of both skilled and unskilled labour because of high trend of going both skilled and unskilled people in migrant worker. Therefore, it is recommended to establish training institution for both current and future generation.
- iv.** The Government of Nepal has made industrial policy to give additional facilities and concession as incentives to export-oriented industries, established in Special Economic Zone, prioritized industries and industries established in least developed, undeveloped and underdeveloped regions even though more industries are registered in Kathmandu and it is highest district on the basis of industry registration. Therefore, government should take action for infrastructure development all over the Nepal to increase contribution of industrial sector in national and regional development by mobilizing local resources, raw materials, skills and means.
- v.** Some owners of industry hesitate to provide actual and factual information about CSIs which creates difficulty to find out findings. To find out actual information, the researcher needs sufficient information. If the concerned people would provide actual information, the findings would be helpful to solve more or less problems of industry. If the concerned person does not provide actual information, no other person can provide actual information. Therefore, the concerned person should think reducing problem is also responsibility of owners.

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## APPENDIX

### Entrepreneur's Profile

Name:

Age:

Sex:

Caste:

Address:

Name of Interviewee:

Name of Interviewer:

Date of Interview:

### Section I: General background about entrepreneur

Date of Establishment:

Type of Industry: Cottage and Small Industry

Type of Industrial Enterprise: Production Oriented Industry

Category of Production Oriented Industry: Metal Craft  
Industry

Types of Produced Goods/Items

.....

Number of employment: Total..... Female.....

Male.....

Size of Capital (In Rs.).....

## Section II: Problems Faced by Industry/ Entrepreneur

### Access to finance:

1. Have you taken loan from the financial institutions?  
Yes/No
2. If yes, how much amount?  
Rs. \_\_\_\_\_
3. Is loan easily available? Yes/No
4. What is the collateral kept for loan?

### Access to electricity other inputs (electricity/raw materials):

1. Is there electricity sufficient for your enterprise?  
Yes/No
2. How many hours per day do you use electricity?
3. Do you have any alternative way of electricity for your enterprise? Yes/No
4. If yes, what are .....
5. Is raw material adequate for your industry? Yes/No
6. Which raw materials do you use?
7. Local (within district) ii. Outside district (within Nepal)  
iii. Outside Nepal
8. What types of human resources are there in your industry?  
  
i. Educated ii. Uneducated
9. What types of man powers are employed?  
i. Skilled ii. Unskilled iii. Semiskilled iv. All
10. Does your enterprise require use of modern technology? Yes /No
11. Which technology is used by your enterprise?  
i. Traditional technology ii. Intermediate technology  
iii. Modern technology

12. Do you feel that need of modern technology to improve quality and increase quantity of the product?  
Yes/ No

Access to market:

1. Is there sufficient market for your product?
2. Where do you sale your product?
3. Is there any transportation facility to sale output?

Do you have any problems to operate industry? Yes/ No

If yes, please mention what problems are you facing to operate industry?

List of Problems	Tick (√) if Yes
Industrial insecurity	( )
Minimal availability of energy	( )
Weak infrastructure	( )
Lack of competent human resources	( )
Lack of capacity to adopt new technology	( )
Lack of modern technology	( )
Lack of capital	( )
Lack of financial institution	( )
Lack of loan	( )

Political instability	( )
Industrial labour relation	( )
Lack of labour	( )
Scarcity of raw materials	( )
Lack of training	( )
High competition of the product	( )
Lack of thinking that industrial enterprises as a means of livelihood	( )
Other	( )

### Section III: Prospects of CSI

In your opinion, what may be prospects of Industry?

List of Prospects	Tick ( √ ) if Yes
Poverty reduction	( )
Employment opportunity	( )
Import substitution	( )
Utilization of local raw materials, skill, resources	( )
Employment for educated, uneducated, skilled, unskilled people	( )
Use of modern technology	( )
Market expansion	( )
	( )

### Section IV: Others

1. Do you know any facility about CSI? Yes/ No
2. Do you feel political interference in your industry? Yes/ No.
3. If yes, where i. Importing raw materials ii. Exporting output iii. Other
4. Did you get any trainings for your labour to develop skill from any Governmental Organization and Non Governmental Organization? Yes/ No.
5. If yes, name of organization.....
6. Did you get entrepreneur development training? Yes/ No
7. If you have any opinion about problems and prospect of CSI, please you can tell.
8. What are the problems of capital?.....
9. What are the problems of raw materials?.....
10. What are the problems of production process?.....
11. What are the problems of produced goods?.....
12. Do you know additional demand of your product? If yes, name of place.....