

**ROLE OF COTTAGE AND SMALL INDUSTRIES IN THE
ECONOMIC DEVELOPMENT OF BHOJPUR DISTRICT**

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LETTER OF RECOMMENDATION

This thesis entitled **Role of Cottage and Small Industries in the Economic Development of Bhojpur District** has been prepared by Sirjana Rai under my supervision. I hereby, recommend this thesis for examination by the Thesis Committee in a partial fulfilment of the requirement for the Degree of Master of Arts in Economics.

.....

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APPROVAL LETTER

We member of thesis committee, evaluated the thesis entitled **Role of Cottage and Small Industries in the Economic Development of Bhojpur District**, has been prepared by Mrs. Sirjana Rai to the Central Department of Economics, Faculty of Humanities and Social Sciences in partial fulfilment of the requirements of the Degree of Master of Arts in Economics and found satisfactory in scope and quality. Therefore, we accept this thesis as a part of the Degree.

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Sincerely,

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ABBREVIATIONS

CSIs	=	Cottage and Small Scale Industries
FY	=	Fiscal Year
DCSI	=	Department of Cottage and Small Scale Industries
UNIDO	=	United Nations Industrial Development Organization
ECAFE	=	Economic Commission of Asia and Far East
CSIDB	=	Cottage and Small Industries Development Board
FNCCI	=	Federation of Nepal Chamber of Commerce
CBS	=	Central Bureau of Statistics
VDC	=	Village Development Committee
DDC	=	District Development Committee
SAARC	=	South Asian Association for Regional Corporation
GoN	=	Government of Nepal
NPC	=	National Planning Committee
SMEs	=	Small and Medium Enterprises
GDP	=	Gross Domestic Products
GICIs	=	Government Institution of Cottage Industries
No.	=	Number

ABSTRACT

The study area Bhojpur District lies in mid-hilly region of Koshi Zone, which is situated in the eastern development region of Nepal. The east of Bhojpur District is bordered by Dhankuta and Sankhuwasava, Khotang on the west, Solukhumbu on the north, and Udayapur on the south. The total area of this district is 1522 sq.km which covers 1.2% out of total area of Nepal. The district extends between 26°53' and 27°46' north latitude 86°53' and 87°17' east longitude. Bhojpur district is divided in to 9 Rural Municipalities and 2 municipalities. According to National census 2068 B.S. the total population of this district is 218263. The main inhabitants of this district are Rai, Chhetri, Tamang, Newar, Brahmin, Magar, Dalit and other community (Bhojpur Jillako Parswachitra, 2075).

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 District Co-ordination Committee profile of Bhojpur and so on.

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 District Coordination Committee profile, and yearly statistical report of DCSI. The present status of registered CSI shows Bhojpur has high potential in terms of growth of CSIs and its contribution to the overall economic development of the Bhojpur district. This study has specially focused on the aspect economic development of Bhojpur District to find out status of Income and Employment generation through field survey taking structured questionnaire where face to face interview was taken with respondents. This study has found out that some CSIs are earning high income which are reinvested and helped in the improvement of standard of living where as some are only able to fulfil their operating expenditure.

CSIs are run and operated with traditional management approach. Hiring of employees take place through referral or through network. These small scale industries are giving

employment opportunities to local people and these employees are able to fulfil their daily expenses.

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.

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Nepal is a developing country situated between two emerging economic power India and China. Now, it is fighting against poverty, unemployment problem, illiteracy and under development problems etc. So, the main goal of developing country like Nepal is to attain high rate of economic growth, reduction of inequality and poverty and improve the living standard of the people. In order to attain such goal, it needs rapid Industrialization of country. In these days, for attaining the highest level of development, Industrialization has been proved as absolute instrument. Without Industrialization no one can imagine about the proper development.

Industrial policy (2010) has been implemented with the multiple objective of developing industrial infrastructure for attracting private domestic and foreign investment in industrial sector. Utilizing existing industrial infrastructures effectively develop and operate specially economic zones with greater emphasis on export promotion and reducing poverty by the help of sound industrial sector specially cottage and small scale industries. In the context of Nepal, industry has categorized into five different types on the basis of operation. They are micro enterprises, traditional cottage industry, small scale industry, medium scale industry and large scale industry. But on the basis of investment, industries are classified into three major types these are the small, medium and large scale industries. Cottage industries are those industries whose fixed capital is below than five million, five to fifteen millions is medium scale and whose investment is more than fifteen millions is called large scale industries. Fixed capital industries includes the land of industries, physical infrastructures office factory buildings, store room, means of communication and equipment etc. (Industrial Policy, 2010).

If we look back to Industrialization history every country has different practices. Some countries have attained industrialization through large as well as medium industries while other has mainly through cottage and small industry. If we focus our study over South-Asian countries, "Since the very beginning that small scale enterprises deserve support because they need a lesser capital investment than the big industries".

The priority on cottage and small scale industries mean the industrialization of rural area. Which consist of setting up cottage and small scale industries such as Cane and Bamboo industries, wooden and metal industries, hand weaving cotton and woollen cloth industries and handicrafts industries etc. each and every village all over the country based on local raw material, skill and demand.

Nepal is characterized by rapidly growing population and labour force. But in these days' thousands of energetic manpower is draining aboard year by year searching for employment. We are unable to stop them. So, a suggestion can be given to stop manpower draining, to create more job opportunities, transfer labour force from agriculture sector to industrial sector, to mobilize idle resources, to raise the national income and to earn the foreign currency there should be developed cottage and small scale industries in the countries effectively. Thus, it is realized that in present day economic situations such small scale industries means for developing country like Nepal to uplift the living standard of their people and to transfer their subsistence "rural economies" into the modern economy. In this context cottage and small scale industries can play vital role to the developing country like Nepal from economic point of view.

1.2 Statement of the Problem

Nepalese economy is suffering from the deficiency of capital. Therefore, large scale industries cannot be established in short run. Keeping this fact on mind, Nepalese government has been giving important place to development of cottage and small scale industries in her different plans. But cottage industries and small scale industries have not been made significant progress. Still this sector is facing several problems.

Major problem of cottage and small scale industries are low quality and high price from the export view point which cannot meet the international market. Besides these, price discrimination, lack of collaboration of manufacturing sub-units, lack of supply of sufficient raw materials, lack of modern technology, lack of correct information regarding the export trade with overseas trade, poor packaging, limited publicity and transport facilities are the problems of cottage and small scale industries.

So to make things better Nepal should give attention to small cottage and industries which can be developed with small capital and finance, local raw materials, simple management and techniques.

Hence, when the country is at the "take-off" stage of development, small cottage and industries is the only source and means of achieving the target of basic needs by generating income to the people who are living below poverty line.

The Nepalese economy is said to be very important but it has not yet been systematically estimated. It is necessary to understand the contribution made by cottage and small industries in the micro level to make suitable policies related to regulate it. Answers of the following questions are very pertinent in the initial stage that will be sorted out from a study from a Bhojpur District: -

- a) What is the present status of cottage and small industries in Bhojpur District?
- b) What is the situation of income and employment in cottage and small industry in Bhojpur District?

1.3 Objectives of the Study

The main purpose of this study is to examine the role of cottage and small industries in the sector of income and employment. The major objectives of the study are:

- a) To examine the present status of cottage and small industries in Bhojpur District.
- b) To analyse the role of cottage and small industries in the income and employment generation in Bhojpur District.

1.4 Significance of the Study

This study seeks to analyse impact of Cottage and Small Scale Industries in Nepalese economy especially in income and employment sector. This study will further examine and analyse the effect on employment sector and its major problems. Hence, this research work will be useful to those who are interested in this field.

Nepal is one of the poorest countries among the world. Nepalese economic scenario is actually poor condition. In this country's population, growth is high which is direct related to

the national economy. On the other hand, the population growth rate is increase tremendously; national politics is unstable which creates the degrading situation of economy. Because of the national economic policy is dependence on their political strategy, which is unstable. Due to the unstable government, economic policy and their different industrial policies on the basis of their political interests which affects the GDP and industries' growth rate.

Number of research studies on this field has already been workout from other different aspects but there is no any specific latest research for the field of impact, employment and growth trend of cottage and small industries so the researcher inspired by the poor economic condition and problems of unemployment in Bhojpur. Therefore, this study seeks to analyse the contribution of cottage and small scale industries for the sound economic development. Hence, this research study will be useful to those who are interested in this field and economic researchers also policy makers. It supports to choose the based industrial policies for the cured of problems of unemployment with proper utilization of available resources by the help of this types of industries.

This research study may be equally useful to the rational planners, researchers as it may provide guidelines for the economic planners and policy makers to decide how to make useful industrial policies in the context of Nepal. This study clearly shows the role and problems of cottage and small scale industries in Bhojpur district.

1.5 Limitation 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 Bhojpur 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

The study site for this research Bhojpur District has been chosen by purposively because it is convenient for the researcher to conduct study at this site to overcome time and resource constraints.

1.6 Organization of the Study

The thesis has included five chapters. The first chapter includes general background of the study, statement of the problem, objectives, significance and limitation of the study. The second chapter included literature reviews of international and Nepalese studies. Chapter three consist of discussion about methodology of the study. Similarly, chapter four includes data presentation and analysis. Finally, summary, conclusion and recommendations are included in chapter five.

CHAPTER - II

REVIEW OF LITERATURE

This chapter focuses on the review of literature. A literature review is a text of a scholarly paper, which includes the current knowledge including substantive findings, as well as theoretical and methodological contributions to a particular topic. Literature reviews are secondary sources, and do not report new or original experimental work. Most often associated with academic-oriented literature, such reviews are found in academic journals, and are not to be confused with book reviews that may also appear in the same publication. Literature reviews are a basis for research in nearly every academic field. A narrow-scope literature review may be included as part of a peer-reviewed journal article presenting new research, serving to situate the current study within the body of the relevant literature and to provide context for the reader. In such a case, the review usually precedes the methodology and results sections of the work.

2.1 Introduction

Research must be based on past knowledge. The previous studies cannot be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past research studies.

The Literature review is basically a stock taking of available literature in one's field of research. The literature survey thus provides the students with the knowledge of the status of their field of research. In social science there is no dearth of literature. The library is a rich storage base for all kinds of published materials including theses, dissertations, business reports and government publications.

The purpose of literature review is thus to find out what research studies have been conducted in one's chosen field of study, and what remains to be done. It provides the foundation for developing a comprehensive theoretical framework from which hypothesis can be developed

for testing. The literature survey also minimizes the risk of pursuing the dead-ends in research (Wolff & Pant, 1999).

2.2 International Studies

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.

In the global context, different nations have defined these categories in their own way. 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 labour. These workers are mostly hand labours and having personal skills with little or no aid for modern technology and machinery they work in accordance with the traditional technique. Now a day, the cottage industry cannot classify by either technology of production or units of investment. So, indigenous raw material based or handicraft based or handloom based industries are called cottage and small industries.

The United State of America has defined as "a business qualifies a small if does not dominates its industry and less than 100 employees". In the United Kingdom, 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% of all business and employing one sixth of the total work force". In Denmark, a small business is one with fewer than 49 employees. In Sweden and Germany there is no official definition about the term of small scale industry. The term "small scale industry" is generally used in Sweden to denote industrial establishment having 50 employees or less, while in Germany even unit having up to 500 employees are considered to be small units.

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. In Australia and Norway the definitions were made for the legal purposes and different deciding factors were kept as landmarks. Nowadays, a generalized definition is in practice and it says an SME entity is defined as a business with an investment in productive assets (not including land and building) ranging between Rupees 2 to 40 million and employing among 10 to 99 workers(retrieved from www.zeepedia.com). The term "small scale industry" is used in Malaysia to define cottage industries and handicrafts and not modernized small industries (Vepa, 1969).

In India, according to the government's definition "small scale industry" includes all industrial units with a capital investment in plant and machinery (fixed capital) of not more than Rs.1087500 irrespectively of the number (Shankaran, 1979). 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.

According to law of Bangladesh, small industry means an industry in which the value/replacement cost of durable resources other than land and factory buildings is in between (.05 to 15 million) taka and employment generation is not more than 50 persons. Cottage Industry means family an industry in which members are engaged part-time or full-time in production and service-oriented activities.

According to ECAFE meetings conducted from 1951 to 1953 "a cottage industries carried on in the home as a part- time occupation primarily by members of one family using human or animal power. The products are for household or local village use and have little commercial importance." In this way the meeting defines that "A small-scale industry operates with hired labour, usually 50 workers or less on hand power, or not over 20 workers using motive power (ECAFE, 1953).

A cottage industry is a system of production which taken 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 necessarily the case. A cottage industry can also be a loosely or working out of their own home. A cottage industry often faces difficult challenges in distributing its products. They also took on 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 labour intensive technique leaves little surplus for investment. Hence according to them, use of capital intensive the re -investible surplus by the minimizing the wage bill (Leibenstein & Galenson, 1955).

A 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. (Dhar& Lydall, 1961).

UNIDO 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 (UNIDO, 1978).

According to World Bank report (World Bank, 1978), 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 labour ratio of less than \$50 at 1969 prices, deserved high place in any employment oriented industrial strategy.

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 (Agrawal, 1980).

A 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 labour availability and low financial resources. These typical small-scale and cottage industries run by simple and manufacturing methods. Equipment is often second-hand and the manufacturing process is inefficient as compared to larger industries (Mubvami & Waste).

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 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).

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 labour or at most the labour of such members of his family as are able to assist. The objectives of the study are to evaluate the various changes in present scenario and 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 have used primary and secondary data and descriptive research design. The conclusions of research are:

- 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 schemes 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 (Malpani & Bapan, 2000).

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 (Shrivastava, 2002).

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 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 (Ahamed ,2004).

According to Atkenson and Kehoe, 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 politically 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 (Atkenson and Kehoe, 2007) .

According to Juneo, 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 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 (Juneo , 2008).

A 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 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 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).

According to Stephen, 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 owner are members of the family and friends. The study has certain objectives which are: 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 and to encourage indigenization of industries.

He has used secondary data and correlation and regression technique to analysed data. He found out that the main sources of funds 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% of total employment, a strong positive relationship occurs between small scale industries and employment and there is significant relationship between small scale industries and employment generation (Stephen, 2013).

According to 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, jewellery, ceramics, cutlery, woodwork, sports goods, large scale surgical instruments and other small scale industries.

Considering by the above scenario, it can be concluded that there is no uniformity and similarity in concept of cottage and small industry. Each country has defined this category according to their local context and ground reality.

2.3 Nepalese Studies

The historical development of Nepalese craft and cottage industry, though very old, is full of ups and down. A reference is found in Kautilya's Economics about various production and export from Nepal. During the time of Chandra Gupta Mouriya in fourth century there was considerable trade in blanket of wool; Nepal was mentioned as a source of good blankets. It was rainproof blanket made of eight pieces joined together of black colour known as "bhiringisi" as well as "apasaraka". In the same way it was mentioned in the epics of Jain religion "Brihatakalpasutra Vhashya" that good quality of woollen blanket were available in Nepal. Various famous Chinese travellers (Wangunshe & Huansang, 648) had highly appreciated many skills of Nepalese craftsmen and artisans in travelogues. Right from the very beginning up to the mid nineteenth century the rulers of the country to promote national industries and trade did adopt various measures of production, promotion and encouragement. To save national industries, only those commodities were imported which were not produced locally.

Towards the end of the nineteenth century Nepalese arts and crafts in particular the entire home based industries in general suffered a lot due to the general liberal import policy of the government. Before British could establish their regime over India and entered in to place treaty with Tibet in 1904 Nepal was interpret and the main route for Tibet, external trade with

other countries. But the treaty in 1904 facilitated the British to open a new route between India and Tibet through Chumbic Valley plus the trade route treaty of 1923 between Nepal and British India, which was not in favor of Nepal and had very unfavorable effects both on industries and on flourishing trade of the country.

But the unusual demand for all consumer goods prior to and during the World War 2nd provided a respite to the dying Nepalese industries. Moreover, the government of the day realized the necessity of some and, earns to promote industries in Nepal. As a result of the realization, “Industrial Council” was set up in 1935. Later on “Nepalese Cloth and cottage Industries Publicity Office” was established in 1939 as it is clear from its name; the office was the only government effort for promoting cottage industries.

Besides the government efforts there were some individual “Gandhi Social Workers” who regarded spinning & weaving as potential weapon to fight against dehumanizing poverty of the masses and Rana’s dictatorship. Tulsi Meher tops the list of such people. He is the man who also got the “Nehru Purushkar” of the year i.e. 1978. For the first time, it was advocated to executive spinning and weaving as composite work and not separates.

Kautilya spoke in praise of all Nepalese home made goods including handloom products. Weaving is practiced by all most all communities of the hills and valleys e.g. Newar, Gurung, Magar, Bhote, Sherpa, Rai, Limbu and Tharu of Tarai.

Kerk Patrick who came to visit Nepal in 1793 wrote in his book, “An Account of the Kingdom of Nepal”, the Newars are expert in cottage industries. As far as cloth is concerned, they make rough course kind of it partly for use and partly for export. The cotton needed for it is produced in Nuwakot of Madhesh. Thus even as late as 1816 Nepal was not only self-sufficient in her requirement of cloths, but had surplus for export also. Thus up to the end of 19th century, Nepalese people were self sufficient to meet the requirement of cloth through the production of handloom which was flourishing and promising cottage and small scale industry of Nepal at that time. After the treaty of Sugauli in 1918 with the British, the door for open trade between Nepal and India was thrown wide open. Indian goods mass produced in factories and goods similarly produced in other countries had free entry into Nepal, which cause a great threat to the indigenous industries of our country. Thus cottage and village industry of country went on determining day by day (Patrick, 1793).

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

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.

According to Ojha, there is significant role of cottage and small industries in the overall economic development of the economy. His study has the certain objectives which are: to study the role of cottage industry in our economy, to evaluate the performance of cottage industry in Nepal, and to evaluate the Govt. policy and program adopted for development of cottage industry.

The study has been conducted under secondary data, and descriptive research design. He has explained 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 opportunity for trained person must be made available. Expansion of market for the product of these industries is quite essential (Ojha, 1981).

According to Sharma, 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 (Sharma, 1982).

According to Shrestha, 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.

She has determined specific objectives which are: to do several survey of wearing units of Kirtipur, and, to highlight the picture of production, employment and marketing.

This thesis is based on the primary data which are collected through questionnaire method. The researcher 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 (Shrestha, 1985).

According to Karjit, 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 loom textile industries in Kathmandu Valley. The study has specific objectives which are: to access the evicting 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, and to recommend measures to overcome the problems.

The summary of his thesis 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 equipment 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 industry in Nepal. Such as, unfavourable 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 are 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.

The thesis has been conducted under descriptive as well as analytical research design and sources of data, primary and secondary used (Khanal, 2003).

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 full fills 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).

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 (Panta& Joshi, 2005).

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 (Dahal, 2005).

Patel, in his Master's thesis, has collected data from primary and secondary sources and study has been conducted on the basis of descriptive as well as analytical research design. The main

objectives of study are to analyse production and marketing of Karki Dhaka Udhyog, to analyse the labour input of Karki Dhaka Udhuog and to analyse 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 (Patel, 2005).

Panta, by his Master's thesis, has justified 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 (Panta, 2006).

Lalchan, in his Master's theses finds out the problems faced by the workers and suggests appropriate measures for improvement in employment generation instant noodles industry in Phokara valley. Besides these, he suggests following recommendations:

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 labourers must be organized and master system must be eliminated (Lalchan, 2006).

Bastola, through the article explores that the frequent bandhas in the eastern Terai 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 shortage of raw materials. If the situation of on-going 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 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 unable 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 of the current situation as soon as possible (Bastola, 2007).

Gautam, through the article identifies some problems that increase self-employment, use of local labour, 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 market, lack of fuels, lack of peace, political conflict and high competition (Gautam, 2007).

Gurung, in his Master's thesis has explored that CSIs are facing the problem of labour employment, marketing and finance. Besides these, CSIs are seen very suitable for the study area. He identified 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. Mr Gurung 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 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).

Adhikari, through his thesis explains 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 labour from land which is being a burning problem of most of the less developed countries of SAARC countries. The study has identified the problems and prospects of CSIs in Palpa District. The specific objectives of study are: to study the problems and prospects of labour employed in CSIs in Palpa District, to analyse the problems and prospects of production and marketing of CSIs in Palpa District and to investigate the problems and prospects of financial resources of CSIs in Palpa District.

The study is based on primary data and descriptive as well analytical research design. He explored 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 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.10000 per month (Adhikari, 2010).

Bhattarai, through his Master's thesis claims 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 labour intensive, more people get employment. The study has specific objectives which are: to analyse the problems faced the biscuit industries during the production process in the study area, to examine the prospects of the industries, and to bring for the socio-economic status of the workers working on those industries.

The thesis is based on primary and secondary data as well 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).

Paudel, through his Master's thesis has found out 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 full- fills the local demand. The theses have two objectives, which are: to identify the current situation of CSIs in the study area and to study the effect of CSIs on employment, education and health in study area.

The study is analysed on primary as well as secondary data and research design has been used descriptive as well analytical. He has 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 are suffering from any one disease and cut of these labours. Most 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).

Ghimire, through his Master's theses has explained 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. The study has specific objectives which are: to study the problems and prospects of labor employed in CSIs, to analyse the problems and prospects of production and marketing of CSIs and to suggest recommendations for the enhancement or promotion of such industries.

The study has used primary as well as secondary data and descriptive and analytical research design. He has explored 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 (Ghimire, 2013).

Bhadari, through the Master's thesis has claimed that small and cottage industries are found to be fruitful in Nepal. The cottage and small scale industry can help to eliminate the poverty by increasing domestic product and employment of the nation. She presented the real picture of CSIs of Birpur VDC of Kapilvastu. The study has specific objectives which are: to explore the employment situation created by the cottage and small scale industries for the people of Birpur VDC of Kapilvastu district and to analyse the income pattern of the people from the cottage and small scale industries of the study area. She has used both primary and secondary data. The study is conducted under descriptive as well as analytical research design.

She explored that in the study area 23 percent industries are earning two or more than 2 hundred thousand per year.39 percent of industries are taking loan from bank and financial institution, 28 percent are taking loan from local money lenders and 33 percent are from their relatives and friends. In this way 45 percent entrepreneurs used their profit to consumption, 33 percent used in reinvestment and 34 percent used in other sectors (Bhandari, 2015).

Rai, through his Master's thesis has argued that in the context of Nepal, establishing of CSIs sector has great possibilities due to its geological and geographical structure. If Problems of CSIs are solved timely, Nepal can achieve the target of economic development. For this, Government of Nepal should promote and provide support services as well as assistances to CSIs. The effective run of CSIs will bring expected achievement for the country which is: effective utilization of local raw materials and skills, creation of employment opportunity, and attaining the economic prosperity. He has presented the real picture of metal craft industry of Kathmandu.

His study has some specific objectives which are: to examine the present status of CSIs as well as characteristics of metal craft industry in the study area and to identify the problems and prospects of the metal craft industry in study area. He has collected data from primary and secondary both sources. Research design has been used descriptive as well as analytical design.

He explored that the CSIs of study area are facing various problems which are: lack of financial sources, load shading of electricity, shortage of raw materials, lack of competent manpower, and unmanaged market. Finally, he concluded that if current problems of CSIs of study area are solved by both government agencies and non-governmental agencies, the metal craft industries have high potentials of prospects (Rai, 2015).

2.3 Research Gap

All the previous researches are based on the problems and perspectives but this research is based on status of income & employment of CSIs. And most important gap between this research and previous research is in objective and findings.

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 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 District Co-ordination Committee profile of Bhojpur 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 for required data related to study area.

3.3.2 Interview with Key Informants

The present study has also conducted by discussing with the targeted entrepreneurs, District Coordination Committee Bhojpur representatives and the other business entrepreneurs and local people and so on. To respond the concerns about the current status of income & employment of CSI Bhojpur.

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 analysing 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 District profile of Bhojpur District, DCSI and so on.

3.5 Sampling Procedures

The population of the study covers all the CSIs of Bhojpur District. The total number of CSIs is 277 and out of this number only 31 industries have been selected for sample size by simple random sampling method (lottery method). The selected industries have been taken through purposive sampling method. Among the sampled industries 15 are Manufacturing industries (three Khukuri, four Metal Craft, three Grill, one Bread, two Furniture, one Radipakhi and one Nepali kagaz), 6 are Service industries (two hair cutting centre, one Beauty parlour, one Printing press, one Tailoring and one Hospital), 5 are Agro- Forest based industries (four Poultry firm and one Pickle industry), 4 are Tourism industries (two Guest house, and two Hotel and Lodge), and 1 is Construction industry.

Table 4.1: Total Number of Samples used for the Study

S. N.	Category of Industry	Sample
1.	Manufacturing industries	15
2.	Service industries	6
3.	Agro-Forest based industries	5
4.	Tourism industries	4
5.	Construction	1
Total		31

Source: Field Survey, 2018

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 District Coordination Committee profile, and yearly statistical report of DCSI.

3.7 Tools and Methods of Data Analysis

The data are analysed in a descriptive way. The collected data were categorized and then analysed by using simple and suitable statistical tools like tabulation, percentage and graphical presentation.

To achieve the stated objectives of the research different statistical tools and methods of analysis are used. The collected data are analyzed and interpret carefully to make validity, reliability in a systematic way and the data are transformed into information. The statistical tools like tables, graphs, percentages are used to analyze the data. 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

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

The study area Bhojpur District lies in mid-hilly region of Koshi Zone, which is situated in the eastern development region of Nepal. The east of Bhojpur district is bordered by Dangkuta and Sankhuwasava, Khotang on the west, Solukhumbu on the north, and Udayapur on the south. The total area of this district is 1522 sq.km which covers 1.2% out of total area of Nepal. The district extends between 26°53' and 27°46' north latitude 86°53' and 87°17' east longitude. Bhojpur district is divided into 9 Rural Municipalities and 2 municipalities. According to National census 2068 B.S. the total population of this district is 218263. The main inhabitants of this district are Rai, chhetri, Tamang, Newar, Brahmin, Magar, Dalit and other community (Bhojpur Jilako Parswachitra, 2075).

From the Industrialization point of view in the previous days Bhojpur was more developed as well as famous in comparison of other hilly district. During the Rana regime coin manufacturing factory had been established in 1872 B.S. In this way Copper and Iron industries were in run. Now a day the main products of this district are Khukuri, metal utensils, woollen- blanket, Nepalese traditional paper and hand-weaving cotton cloth etc. Main purpose of selecting this district as area of this study is to uncover the industrial aspect of this district and it is accessible to the researchers himself and it may also represent a typical hilly as well as historical district. The study is focused on selected CSI Bhojpur only. The study is based on limited number of firms while attempt has been given to make it representative.

4.2 Present Status of CSIs in Bhojpur District

Present status of CSI includes the number of the industry on the basis of category. The number of CSIs registered in Bhojpur from the beginning to Fiscal 2074/075 B.S. is given below:

Table 4.2: Number of CSI registered in Bhojpur District up to F.Y. 2074/075

S.N.	Category of industry	No.of Industry	No.of entrepreneur	Capital	Employment
1.	Manufacturing	42	49	67,65,025	189
2.	Agro & Forestry	56	63	4,02,77,600	327
3.	Service	148	154	5,31,89,560	372
4.	Construction	31	32	9700000	289
	Total	277	298	10,99,32,185	1177

Source: Cottage and Small Industry Development Committee Bhojpur

4.2.1 Investment of CSI's

For both to establish and run the industry, sufficient capital is needed. A main source of capital is taken as loan. Generally the entrepreneur acquired loan from various sources which are Bank, cooperatives, local money lenders and others which are given below:

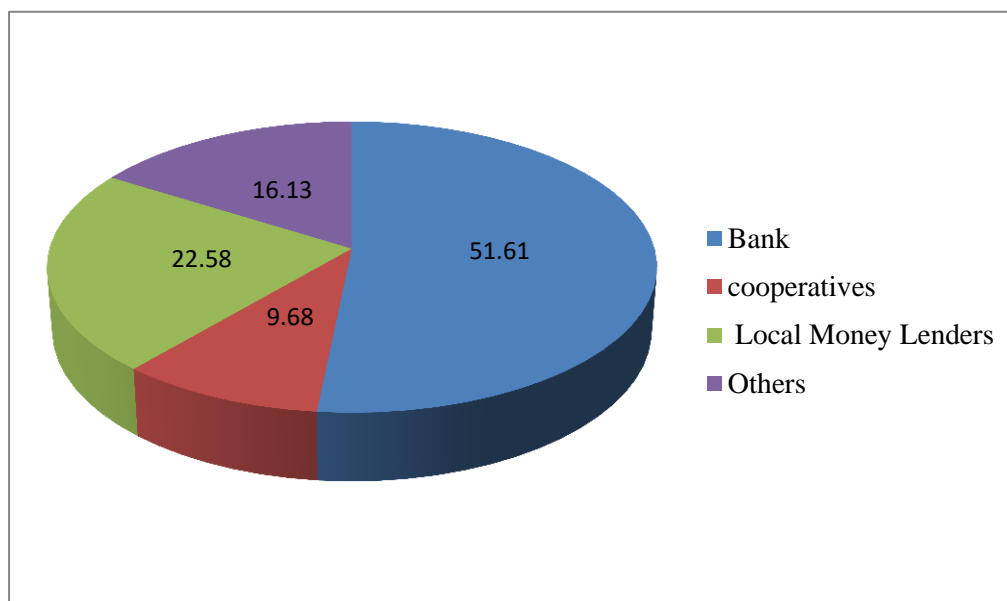
Table 4.3: Investment of CSIs

Source	No. of Industries	Percentage
Bank	16	51.61
Cooperatives	3	9.68
Local Money Lenders	7	22.58
Others	5	16.13
Total	31	100

Source: Field Survey, 2018.

The Figure 4.1 shows the different sources capital as below:

Figure 4.1: Investments of CSIs



Source: Field Survey, 2018

Table 4.3 shows that 51.61 percent entrepreneurs take loan from bank, 9.68 percent from cooperatives, 22.58 from local money lenders and 16.13 percent take from their relatives or friends. This shows that still one-fourth entrepreneur are depending on local money lenders which affects their net profit because they have to pay comparatively high interest rate for taken loan.

4.2.2 Yearly Expenditure for CSI's

Expenditure is financial value of input in the industries. It measures the expending capacity of industry. Expenditure contains cost on raw materials, rent, and salary etc which are given below:

Table 4.4: Yearly Expenditure for CSI's

Expenditure (Rs.)	No. of Industry	Percentage
Less than 500000	6	19.35
500000-1000000	7	22.58
1000000-2000000	6	19.35
2000000-3000000	3	9.68
More than 3000000	9	29.04
Total	31	100

Source: Field Survey, 2018.

Table 4.4 shows that 19.35 percent industries have expended below Rs.five hundred thousand, 22.58 percent have five hundred thousand to ten hundred thousand, again 19.35 percent have ten hundred thousand to twenty hundred thousand, 9.68 percent have twenty hundred thousand to thirty hundred thousand and 29.03 percent have expended more than thirty hundred thousand.. This shows that maximum CSIs have low capacity to expend for industry run. By the reason they cannot afford more to buy sufficient raw material, competent manpower and adequate infrastructure.

4.2.3 Uses of Raw Materials

Raw materials are basic and primary factors for quality product. It determines the quality as well as cost of production. So raw materials should be qualitative and sufficient which plays the role of success and failure of industries.

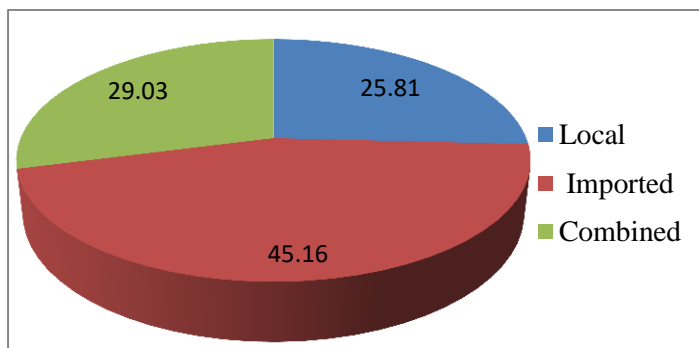
Table 4.5: Raw Materials

Sources	No. of Industries	Percentage
Local	8	25.81
Imported	14	45.16
Combined	9	29.03
Total	31	100

Source: Field Survey, 2018.

Uses of raw materials are given in figure below:

Figure 4.2: Uses of raw materials:



Source: Field Survey, 2018

Table 4.5 shows that 25.81 percent of industries have used local sources, 45.16 percent have used imported sources and 29.03 percent have used both sources. So, it is clear that nearly half of the industries are using imported raw materials, one-third is both and rest are local raw material. In the case of local raw material especially regarding Khukuri industries and Metal craft industries they are facing serious scarcity of raw materials i.e. old bronze, wooden coal, particular wood for khukuri handle and cover. Main reason are, from 26 years local Bronze production was totally closed and present forest law is not industry friendly.

4.2.4 Marketing Access of CSIs

Success of industry depends upon mostly on sufficient access of market for produced goods. In the context of Bhojpur, CSIs are facing limited and unmanaged market. The real data of marketing access is shown as below:

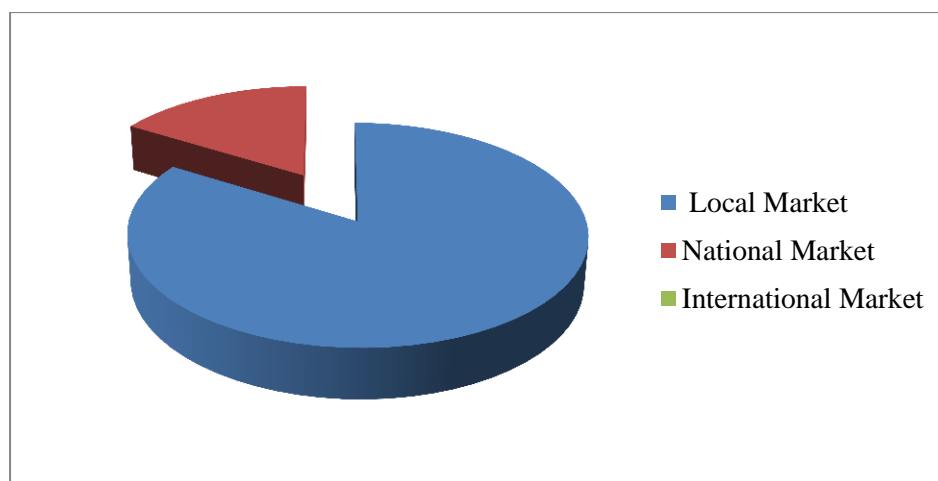
Table 4.6: Marketing access of CSIs

Selling Place	No. of Industries	Percentage
Local Market	26	83.87
National Market	5	16.23
International Market	0	0
Total	31	100

Source: Field Survey, 2018.

Marketing accesses of CSIs are given in figure below:

Figure 4.3: Marketing accesses of CSIs



Source: Field Survey, 2018.

Table 4.6 shows that 83.87 percent of industries sell their product in local market. 16.23 percent industries sell in national market, and there is zero percent supply in international market. The above fact explores that most of the industries are depended on local market and very few number have access to national market. In the case of international market now it is out of their capacity. Besides these some particular industries based on district headquarter i.e., hotel & lodge are facing customer problems due to federal system and decentralization. Day by day population of people are moving from district head quarter to rural municipality head quarter. Other types of problem are being seen in Radipakhi Industry (local blanket). The market of this product is badly replaced by imported foreign carpet.

4.2.5 Nature of Production Problem

Every Industry has different problem regarding the production. Some of them might be lack of raw material, lack of skilled man power, limited market, lack of capital and etc. The problems which are facing by CSIs of Bhojpur district are as follows:

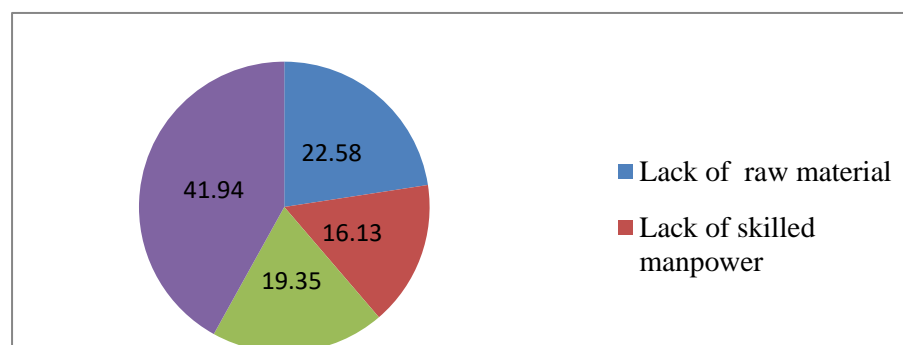
Table 4.7: Nature of Production problem

Problems	No. of CSIs	Percentage
Lack of raw material	7	22.58
Lack of skilled manpower	5	16.13
Lack of capital	6	19.35
Lack of market	13	41.94
Total	31	100

Source: Field Survey, 2018.

Nature of production problem is given in figure below:

Figure 4.4: Nature of production problem



Source: Field Survey, 2018.

Table 4.7 shows that 22.58 percent of the industries are facing lack of raw material problem. 16.13 percent are facing lack of skilled manpower problem. 19.35 are facing lack of capital problem and 41.94 are market problem.

4.3 Contribution of CSIs to the Income and Employment Generation

4.3.1 Income Generation by CSIs

The following section provides the different sources of income in of he Bhojpur Ditriect.

4.3.1.1 Income from Industries

Income is a key factor of industrial activity. It plays vital role for economic development. That's why to identify the role of CSIs, it is necessary to know the income of each entrepreneur from the industry. Analysing the data, the following information has been acquired, which is given in table below:

Table 4.8: Income from Industries

Yearly Income(Rs.)	No. of Industry	In percentage
Less than 500000	4	12.90
500000 - 1000000	6	19.36
1000000 - 2000000	9	29.03
2000000 -3000000	3	9.68
More than 3000000	9	29.03
Total	31	100

Source: Field Survey, 2018

Table 4.8 shows that 12.90 percent of CSIs have average earning in a year are less than Rs. five hundred thousand, 19.36 percent CSIs have Rs. five hundred thousand to ten hundred thousand, 29.03 percent CSIs have Rs.ten hundred thousand to twenty hundred thousand, 9.68 percent CSIs have twenty hundred thousand to thirty hundred thousand, 29.03 percent have more than thirty hundred thousand in a year. In this condition it is clear that some of the CSIs have low income they can hardly fulfil their basic needs but cannot save and reinvest the earnings. That's why they cannot contribute to uplift the living standard of the people of

Bhojpur District. But somehow, this income also can help to maintain their living standard in some extend.

4.3.1.2 Net Income of Industry

Net income is surplus which remains by subtracting yearly expenditure from yearly total income. It helps to know that the real financial capability of the industries. So the current picture of net income of CSIs Bhojpur has been presented in following table.

Table 4.9: Yearly Net Incomes

Monthly Income (Rs.)	No. of industry	Percentage
below 100000	2	6.45
100000-500000	17	54.84
500000-1000000	6	19.35
1000000-2000000	4	12.90
2000000 – 3000000	1	3.23
More than 3000000	1	3.23
Total	31	100

Source: Field Survey, 2018.

Table 4.9 shows that 6.45 percent industries have yearly net income less than Rs. one hundred thousand, 54.84 percent have Rs. one hundred thousand to five hundred thousand, 19.35 percent have five hundred to ten hundred thousand, 12.90 have ten hundred thousand to twenty hundred thousand, 3.23 percent have twenty hundred thousand to thirty hundred thousand and again 3.23 percent have more than thirty hundred thousand. This table shows that nearly 6 percent entrepreneurs are in danger level they are fighting for survival, around 55 percent are hardly maintaining their living standard, around 19 percent are in comfortable situation, nearly 13 percent are less capable to save and reinvest, and rest of the 6 percent entrepreneur are fully capable for reinvestment due to their high saving.

4.3.2 Utilization of Profit

Profit is a very important factor for any industry. It is the amount of money remaining after all the expenses of running the industry are paid total revenues minus total expenses. It is the driving force before and after entering into the industrial field. In fact, profit is the oil which

drives the wheels of industries. So, the exact picture of profit utilizing by the entrepreneurs has been shown in the following table:

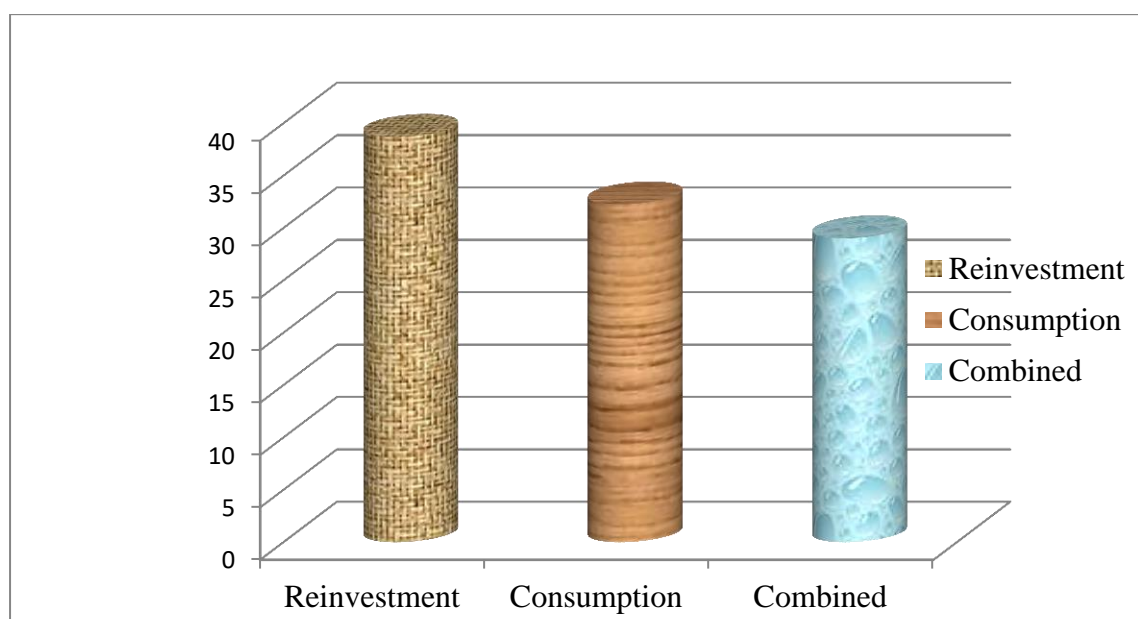
Table 4.10: Utilization of Profit

Sector	No. of Entrepreneur	Percentage
Reinvestment	12	38.71
Consumption	10	32.26
Combined	9	29.03
Total	31	100

Source: Field Survey, 2018.

Utilization of profit is given in figure below:

Figure 4.5: Utilization of Profit



Source: Field Survey, 2018.

This 4.5 figure shows that 38.71 percent entrepreneurs used their profit in reinvestment. 32.26 percent have used for consumption and 29.03 percent have used for both purpose. The picture shows that in Bhojpur District, maximum profit is used on investment sector. So that possibility of CSIs development is obviously high.

4.3.3 Employment Status of CSIs.

Employment opportunity is the important indicator of economic development. If there are less employment opportunity than people have less-disposable income to spend on investments. Economists call unemployment a lagging indicator of the economy, as the economy usually improves before the unemployment rate starts to rise again. In the economy CSIs generate the employment opportunity. It helps people to generate income and fulfil the basic needs.

4.3.3.1 Employment opportunity generated by industries:

In the context of Bhojpur CSIs has more contribution to generate employment opportunity which is comparatively noticeable than other sector. The real scenario of employment opportunity is presented as below:

Table 4.11: Employment opportunity generated by industries

No. of industry	No. of industry	Percentage
Less than 5	21	67.74
5 - 15	7	22.58
More than 15	3	9.68
Total	31	100

Source: Field Survey, 2018.

Table 4.11 shows that 67.74 percent industries are providing employment opportunity less than 5 numbers. 22.58 are between 5 to 15 number and 9.68 percent are providing more than 15 number. The table shows that maximum industries are providing less employment opportunity and only few are providing in satisfactory level.

4.3.3.2 Employment pattern by Gender:

For the overall development of society equal participation of all sex is compulsory. Nowadays balanced composition of manpower from gender's view point is highly preferable. It is the indicator of effective human resource utilization. In the context of Bhojpur male and female both workers are involving in industry. The employment pattern by sex is shown as below:

Table 4.12: Employment pattern by gender

Gender	No. of employees	Percentage
Male	201	78.82
Female	54	21.18
Others	0	0
Total	255	100

Source: Field Survey, 2018.

Table 4.12 shows that 78.82 percent employees are male while 21.18 percent are female. There is no presence of other sex it might be due to either conservative concept about third gender or biologically not identified. The picture of gender pattern shows that there is highly male domination in manpower composition. It means that there are weak participation of women due to domestic job, lack of required skill, social empowerment and conservative concept.

4.3.3.3 Employment pattern by hiring sources:

Success and failure of industry depends upon the quality of employees. The quality is affected by the use of hiring process. If hiring process is appropriate than possibility of acquiring qualified manpower will be definitely high. In the context of CSIs Bhojpur there is traditional concept in hiring sources which are as presented below:

Table 4.13: Employment pattern by hiring source

Source	No. of employees	Percentage
Family member	42	16.47
Familiar person	213	83.53
Free competition	0	0
Total	255	100

Source: Field Survey, 2018.

Table 4.13 shows that 16.47 percent employees have been hired from family member.83.53 percent employees from familiar person and zero percent is from free competition. According to table maximum manpower are from familiar person and rest are from family member. The main source, free competition has been totally ignored due to narrow and conservative concept. So that there is less chance of getting competent and qualified worker.

4.3.3.4 Employment Pattern by Skill

Labour skill is important factor for productivity it determines the performance level of employees. The labour skill status of CSIs Bhojpur is shown in following table:

Table 4.14: Employment pattern by skill

Description	No. of employee	Percentage
Skilled	81	31.77
Semiskilled	99	38.82
Unskilled	75	29.41
Total	255	100

Source: Field Survey, 2018.

Employment pattern by skill is given in figure below:

Figure 4.6: Employment pattern by skill

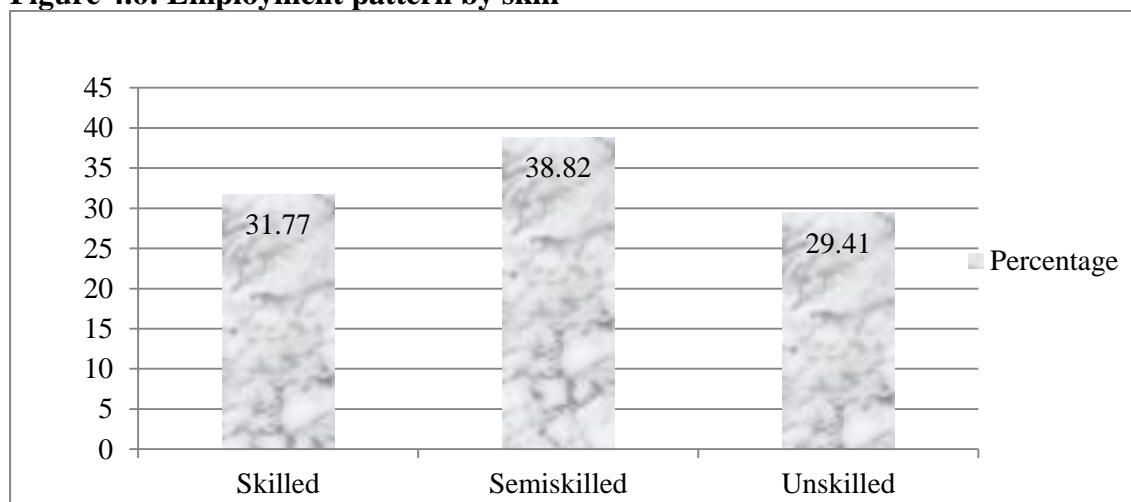


Table 4.14 shows that 31.77 percent employees are skilled.38.82 are semiskilled and 29.41 are unskilled. The information explores that the skill composition of CSIs Bhojpur is not in satisfactory level. Because minority of employees are only skilled manpower and majority are efficiency lacking. The main reason for skilled labour lacking is lack of effective training. In some cases the successor of same community are not interested in traditional job. For example, in khukuri industry,, traditional metal craft industry(Dhatu Udhog) and traditional cotton cloth weaving industry, there are very few number of skilled labor available and they are also from old generation. By the reason it is being problem for industrial development.

4.3.3.5 Employment pattern by Job nature:

Nature of job is determined by the nature of industry, availability of skilled manpower in the labour market and production level. The scenario of CSIs Bhojpur has been presented as follows:

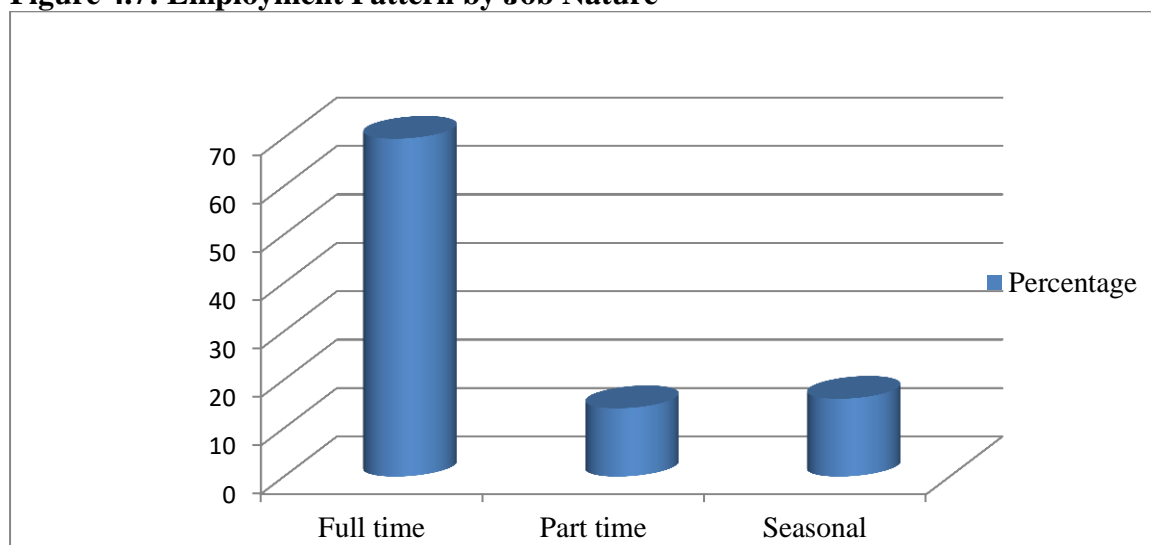
Table 4.15: Employment pattern by job nature

Job nature	No. of employee	Percentage
Full time	178	69.80
Part time	36	14.12
Seasonal	41	16.08
Total	255	100

Source: Field Survey, 2018.

Employment pattern by job nature is given below:

Figure 4.7: Employment Pattern by Job Nature



Source: Field Survey, 2018.

Table 4.15 shows that 69.80 percent employees are full time. 14.12 percent employees are part time and 16.08 percent are seasonal. According to given information full dependency on employment is satisfactory because more than two-third employees are full timer. But for the increment of additional production it is better to reduce seasonal number of employees.

4.3.3.6 Employment pattern by age:

Age is also important factor for employee's productivity. It affects the energy level and experience of employees which are determinant factor for their performance level. The age pattern of CSIs Bhojpur is presented below:

Table 4.16: Employment pattern by age:

Years	No. of employee	Percentage
15 to 24	82	32.16
25 to 34	107	41.96
35 to 44	47	18.43
More than 45 year	19	7.45
Total	255	100

Source: Field Survey, 2018.

Table 4.16 shows that 32.16 percent employees are between 15 to 24 years. 41.96 percent are between 25 to 34 years. 18.43 percent are between 35 to 44 years and 7.45 percent are more than 45 years. This data shows that majority of employees are with high energy level and experience which is Strength of CSIs Bhojpur.

CHAPTER -V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

This study has tried to find out role of Cottage and Small Industry in the economic development of Bhojpur district taking a study of CSI where 31 industries are drawn using purposive sampling for the representativeness of sample to meet the objectives of the study.

The present status of registered CSI shows Bhojpur has high potential in terms of growth of CSIs and its contribution to the overall economic development of the Bhojpur district. This study has specially focused on the aspect economic development of Bhojpur District to find out status of Income and Employment generation through field survey taking structured questionnaire where face to face interview was taken with respondents. This study has found out that some CSIs are earning high income which are reinvested and helped in the improvement of standard of living where as some are only able to fulfil their operating expenditure.

Similarly, this study has found out that some of these firms are not able to expand their business. CSIs have high potential in 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 in Nepal.

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 CSIs have a

lot of prospects. Small scale industries have high potential for the economic development of Bhojpur district.

- i. If problems of CSIs are solved on time, development of CSI sector has great possibilities due to the geological and geographical structure of Nepal.
- ii. CSI has been providing productive employment to the Nepalese people utilizing the existing local raw materials, means, skills and resources.
- iii. CSIs are generating employment opportunities to local people and these industries have contributed to better standard of living of employees.
- iv. Especially Bhojpur's CSIs have high potentiality of earning foreign currency through export in international market as products like Bhojpure Khukuri, Karuwa are very famous.
- v. 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.
- vi. Employees of these CSIs are hired without free competition, they are hired through referral and network which result to inefficient employee hiring.
- vii. 6.45 percent entrepreneurs earn less than one hundred thousand yearly net income who are fighting for survival, 54.84 percent earn between one hundred thousand to 5 hundred thousand, they are hardly maintaining their living standard. But rest of the entrepreneurs are earning good amount by which they can easily maintain their living standard and do the reinvestment.
- viii. 38.71 percent entrepreneurs reinvest their profit, 32.26 percent use for consumption and 29.03 are combined.
- ix. Total number of worker are 255 out of them 78.82 percent are male worker and 21.18 percent female worker.
- x. 16.47 percent workers are hired family member 83.53 percent from familiar person and free competition has been totally ignored.
- xi. 31.77 percent workers are skilled, 38.82 percent are semiskilled and 29.41 are unskilled.
- xii. 69.80 percent workers are full time, 14.12 percent are part time and 16.08 are seasonal.

- xiii. 32.16 percent worker are age of 15 to 24 years, 41.96 percent are 25 to 34 years, 18.43 percent are 35 to 44 years, and 7.45 are more than 45 years.
- xiv. 51.61 percent industries have been financed from bank. 9.68 percent financed from cooperatives, 22.58 percent financed from local money lenders and 16.13 percent financed from other sources.
- xv. 25.81 percent industries use local raw materials, 45.16 use imported raw materials and 29.03 used both.
- xvi. 83.87 percent industries sell their product on local market, 16.23 percent on national market and no access on international market.
- xvii. 22.58 percent industries are facing raw material problem, 16.13 percent are skilled manpower problem, 19.35 percent are capital problem and 41.94 percent are market problem.

5.3 Recommendations

This study has shown status of small and cottage industries in Bhojpur district. The contribution of these industries for employment, income generation and overall economic development of Bhojpur district is also analysed.

- i.** CSIs are run and operated with traditional management approach. Hiring of employees take place through referral or through network.
- ii.** These small scale industries are giving employment opportunities to local people and these employees are able to fulfil their daily expenses.
- iii.** 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.
- iv.** Obviously, labour is most important factor for the industry rather the skilled labour is key factor for cottage and handicraft 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.

- v. 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.
- vi. 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.
- vii. There should be regular programs which promotes local products in national and international level which ultimately increase demand and hence helps in economic development of Bhojpur district.

QUESTIONNAIRE

Entrepreneur's Profile

Name:

Age:

Sex:

Caste:

Address:

Name of Interviewee:

Name of Interviewer:

Date of Interview:

Section I

Name of Industry:

Date of Establishment:

Type of Industry: Cottage and Small Industry

Category of Industry:

Types of Produced goods/services:.....

Section II

Financial status of Industry:

1. How much capital have you invested in industry?.....
2. Have you taken loan from any party? Yes/No
3. Is yes, from where? a) Bank b) Cooperatives C) Local money lenders e) Others.

Raw materials status of industry

1. Is raw material adequate for your industry? Yes/No
2. Which raw materials do you use?
3. i..Local ii. Imported iii. Combined

Employment status of industry

1. How many employee are employed in your industry?.....
2. Employee pattern by gender:
 - i. Male..... ii. Female.....
3. Employ pattern by skill:
 - i. Skilled ii. Unskilled iii. Semiskilled
4. How do you hire the manpower?
 - i. Free competition ii. Family related person iii. Familiar person.
5. Employee pattern by age:

Ans a) Less than 15yrs

 - b) 15 - 24
 - c) 25 - 34
 - d) 35 - 44
 - e) More than 45 yrs
5. What kinds of manpower are you using?
 - i. Full time ii. Part time iii. Seasonal

Marketing status of industry

1. Is there sufficient market for your product? yes/no
2. Where do you sale your product?
 - i. Local market ii. National market iii. International market.

Nature of Production problem

1. What types of production problem are facing by industry?
 - i. Lack of raw material ii. Lack of Skilled manpower iii. Lack of capital iv. Lack of market.
2. Total production expenditure per year?...

Income status of industry

1. How much yearly gross income from your industry?.....
2. How much yearly net income from your industry?.....
3. How do you utilized the profit of this business?
 - i. Household expenditure
 - ii. Reinvestment.

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