

# CHAPTER-I

## INTRODUCTION

### 1.1 Background

It is an indisputable fact that the development of the industrial sector plays an important role in the economic upliftment of the nation. As long as this sector cannot be expanded on a promotional basis, proper development of the economy cannot be possible. The main objective of the industrial development is to mobilize properly the labor, capital and the natural resources, available in the country towards industrialization.

As development efforts have to embrace all the economic sectors of the country, it is essential that an atmosphere conducive to industrialization be created. If we fail to gradually diver our economic dependence from Agriculture to other fields of human endeavor, the outlook for economic development will be very dim indeed. Development of the industrial sector can make a remarkable contribution to creating employment opportunities for the growing population, solving the problems of unemployment and under-employment besetting the county, earning foreign exchange and balancing the payments position as well.

Industrialization plays a crucial role in acceleration the progress of a country. The progressive increase in the national income and living standards of the people is not possible without rapid industrialization. It has a necessary and ultimately a large role to play for the economic development of countries can be changed by establishing the industries. Hence, industrialization, regarded as a symbol of prosperity, is the key to economic progress. It is the basic ingredient of economic development.

Almost all countries are trying their best for the betterment of their economic development through industrialization. We have witnessed the history of U.S.A, U.K, U.S.S.R, Japan, China and most of the European countries are able to reach in highly developed position or in the age of high mass consumption through industrialization. Actually, it is one of the most important ingredients for the higher living standards of the people and to increase the pace of economic development of developing countries like Nepal. Realizing such importance of industrial development, Pundit Jawaharlal Nehru his said “The god which all the countries worship is the god of

industrialization; the god of machine; the god of high production and utilization of natural power and resource for greater advantage”.

U.S.A, Britain have attained industrialization mainly through large industries, other has mainly through medium and small scale industries attaining high economic growth rate. Now a day's industrialization has been considered traveled as most powerful instrument. Small scale industries have played vital role together with medium and large scale industries in promoting sound and speedy industrial growth. Appreciating or recommending small scale industries does not mean opposition to large scale industries. The fact is that small industries have undeniably played and effective and important role in many countries for their industrial advancement. Even the developed countries like Germany, Switzerland, France, and particularly in south East Asian region, the experience and achievement in the field of the small scale industries are very significant. Countries like Myanmar, Srilanka, India, Singapore, Hong-Kong, South Korea and in Thailand. Such the small scale industries have become pioneer and led the overall industrial development programme with remarkable success. Small industries can undoubtedly plays significant role in meter using the aspiration of successful industrial revolution in developing countries especially in these countries of South East Asia whose economy are agriculture. Even in Japan one of the industrially developed countries of the world cottage industrial still occupy of predominated position in the national economy. Cottage and small scale industries are producing more than half of her total industrial product.

Nepal is characterized by rapidly growing population and labor force. A good suggestion can be given to transfer labour force from agriculture sector to industrial sector and to create more job opportunities to raise the national income and to attack poverty to mobilize idle resources and man power to fulfill the local demand of the consumer goods and creating sound base for industrialization. There should be developed small and cottage industries in the courtiers effectively. Nepal being a landlocked country, situated between China and India and backward nature of the country, the pace of development is too slow. Over three quarters of the total area of Nepal is mountainous and over 60 percent of the countries people live in the hilly or mountainous region. Due to the mostly hilly or mountainous topographical structure of the country, development in this country is not achieved in satisfactory. Almost 85 percent of the population lives in villages and our peoples main soured of income,

employment and the main production is agriculture (Population Monograph 2003). In this way, agriculture has played an important role in the national economy. A major share of gross domestic product is contributed by agriculture and it is the chief source of export earning of the country. Besides it is also the main source for running many agro-based industries. Nevertheless agriculture sector is not so much dependable and saving of farmers is too low.

## **1.2 Meaning and Relevance of Cottage and Small Industries**

The sum of two words cottage and small give us the idea of small type manufacturing unit which is generally handled by household level in which family members work as full timer and use locally available raw materials. Cottage industries are producing goods required for daily consumption. Therefore, people are self-sufficient in respect to several consumption goods. Cottage industries are more or less household industries creation only a limited market. Small enterprises will be more or less manufactories depending on resources coming from outside and more of them depending on a large scale industry for the supply of semi-finished products (Kharel,1992).

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

Different Economists have different concepts about cottage and small scale industry. It is different from country to country and from time to time. The western community thinks that labor intensive industries are cottage industries, where as Far East Asian Community trends the traditional skill oriented or indigenous raw materials based or small units of industries are cottage industries. The concept of Indian community found that some specified or listed items are classified as cottage industries. So in India, the cottage industry could not be classified by either technology of product or by units of investment. But in Nepal, the definition of the cottage industry is different before and after the industrial enterprise Act come into action. The concept has considered the indigenous raw materials based or handicraft based or handloom based industries are known as cottage industries.

For the purpose of industrial administration and facilities, **Industrial Policy 1992** classified the industries:

1. Manufacturing Industries: industries which produce goods by utilizing or processing raw materials, semi-processed materials, by products or waste products.
2. Energy based industries: Industries generation energy from water resources, wind, solar, coal, natural oil and gas, bio-gas or any other sources.
3. Agro and Forest-Based Industries: Business mainly based on agriculture and forest such as integrated sericulture and silk production, horticulture and fruit processing, animal husbandry, poultry farming, fishery, tea gardening and processing, coffee farming and processing, herbiculture and herb processing, vegetable seed farming, floriculture, agro-forestry, community and private forestry etc.
4. Mineral Industries: Mineral excavation, processing
5. Tourism Industries:
6. Service Industries:
7. Workshops, printing press, consultancy services, ginning and baling businesses, cinematography, construction business, public transportation, photography, hospital and nursing home, educational institutions, laboratory, air service cold storage, etc.
8. Construction Industries: Road Bridge, tunnel, ropeway, flying bridge, railway, trolley bus and office, commercial and residential complex etc.

**Industrial promotion Board may add in the classification of industries in division of scale:**

1. Traditional Cottage Industries: The traditional industries mobilizing specific skill or local raw material and resources and labour intensive and related with national customs, arts and culture.
2. Small Industries: Industries other than traditional cottage industries with a fixed capital investment not exceeding Rs. 10 million.
3. Medium Industries: Industries with a fixed capital investment between Rs. 10 million and Rs.50 million.
4. Large Industries: Industries with a fixed capital investment more than Rs. 50 million.

### 1.3 Cottage and Small Industries in Nepal

The evaluation of cottage industries in Nepal can be traced back over a thousand years. A Hindu scripture (*Skanda Puran*) and holy books of the Jain religion mention the development of industry and trade in Nepal. Kautilya's *Arthashastra* also lauds the woolen blankets and mattresses of Nepal, and their trade to distant parts of India. The Nepalese crafts and cottage industry products behind the age-old important profession agriculture. Similarly, records in the Nepalese history reveal the fact of appreciation to the Nepalese artisans from the famous Chinese traveler Huan Tsang in 637 A.D. it may also be mentioned here that *Manu Smriti*, one of the oldest famous Hindu writing by Manu Rishi, records the superiority and purity of Nepalese *Radi* in those days. The ancient crafts and small industries in Nepal includes handmade paper, metal and stone works, weaving, mining, casting of hard metals and production of artistic goods requiring great skill and talent. Similarly, bamboo and cane products, handmade textiles, stone, wood, soil, bone and leather products were also famous and widely produced during those days. The Nepalese handmade paper has its unique peculiarity and was one of the remarkable cottage industries of the past. Apart from local consumption, many specialized Nepalese products were used to be exported to the neighboring countries, particularly to Tibet and India. In the time of Prithvi Narayan Shah, Different weapons and gun power were made. To promote cottage industry, in 1939, "Nepal cloths and cottage skill publishing office", was established and in 1940, "Tri- Chandra Kamdhanu Chakra Pracharak Mahaguthi" started the work of spinning as well. In 1955, government established small, rural and cottage industry training and development department. In non-governmental sector, in 2007, 'Nepal Gandhi Smarak Nidhi' was established to produce garments.

At present, there are lots of small and cottage industries in Nepal. Ministry of small and cottage industry is operation for the promotion of cottage and small industries. On the other hand, Department of industry and Small and Cottage Industry Committee also functioning to facilitate cottage and small industries. According to Department of industry, 1,55,112 CSIs are registered till the fiscal year 065/066. They are of different types, such as tourism, restaurants, garments, handicrafts, metal industry, handloom, consultancies and so on.

## **1.4 Role of Cottage and Small Industries in Nepalese Economy**

Industrialization plays a vital role in economic development. Industrialization offers prospects of a growing availability of manufactured goods, increased employment, balance of payment and greater efficiency and modernization of the economy. But the geographical of our country is such that the feasibility of big industries is almost low. Most of the regions of the kingdom are remote and people do not have sufficient capital and technical knowledge to run big industries. In the Nepalese context, cottage and small scale industry has important role for the economic development of the country. Cottage and small industry plays significant role not only in preserving traditional skills, art, culture and the proper utilization of raw material produced in rural and urban areas but also in upgrading the economic standard of the majority of people by generation employment opportunities and enhancing national productivity. As local raw material, skills and labor are extensively used in such industries, value added in these industries is higher.

Although more than 60 percent of the active population depends on the agriculture, the contribution of this sector to nation at economy is rather decreasing every year, due to the transformation of people from the agriculture to the industrial economy. Similarly, there acquaintances with the traditional and unscientific farming system as well as the problem of global warming have also caused the low level of production through agricultural sector. This phenomenon has resulted in ever growing problem of unemployment and underemployment. The present status of seasonal and regional unemployment is estimated to be 42 percent in the rural and 25 percent in urban areas. The bulk of the national labor force is now in search of business rather than agriculture. In this perspective, the industrialization is only alternative to solve the problem of unemployment. On the one hand there is the problem of decreasing national productivity and on the other hand however, establishing large industrial enterprises is not that much feasible in Nepal. Since the country is landlocked and has no direct access to the world market and the success of which largely depends on the good will of India. So from the development point of view, dependence of cottage and small industries could be, in reality response and way out for the industrial development in Nepal (Economic Survey 2010).

In context of Nepal, industrial development is a labour intensive, local raw material and local indigenous skill oriented enterprises, such enterprise, a part from helping

accumulate the scattered capital resources in the rural area. In context of Nepal, we should encourage labour intensive technique of production due to existence of unemployment. Besides, it should be based on domestically available raw materials and skills. Enable rural people living under bare subsistence actively participate in the development countries industrial economy, the cottage and small industries can play a vital role to increase the export and by their help to maintain the balance of payment. Utilize the local resources through the use and expansion of indigenous local skill and technologies and make Nepalese traditional and cultural heritage renewed in the international field though the export of cottage and small industries products in the international market. So, it is the demand of time to shift the population heavily depended on agriculture to the cottage and small industries through series of well planned entrepreneurial activities.

### **1.5 Government Policy on Cottage and Small Industry Development**

Nepal shard is a Democratic political system only in 1951. Before that the country had experienced a feudalistic, autocratic and oligarchic regime for more than a century. At that time, the country had absolutely no infrastructure for the industrial development and it was only after the advent of democracy in 1951. The first five year plan was implemented in 1956 and since than ten Plan periodic plans has also been implemented and the 11<sup>th</sup> three year interim plan is in the process of completion this year.’ During the first four periodic plans, the government emphasized more on the creation of infrastructures for development. The government could not pay much attention towards the development of cottage and small industries in Nepal. It was only in the sixth plan period (1980-85). That government of Nepal shifted the emphasis from the infrastructural development to the production, employment and meeting the basic needs of the people through the exploitation of already created infrastructures. In that very period, the government of Nepal formulated industrial policy and implemented it. Supporting measures were taken to launch the plan all over effectively. The Cottage and small Industry Development Board was strengthened and carried out cottage and Small Industry Development Projects sponsored by World Bank and UNDP. In 1984, HMG, Department of Cottage and Small Industries got under its wing the Small Business Promotion Project and TRUGA (Training for Rural Gainful Activities) project. The formulation of industrial policy and the Industrial Enterprises Act and their implementation gave a favorable

response to the national economy. It was for the first time in Nepal, the GDP growth showed a commendable increase of more than 4 percent despite the Government's failure to give the incentives and facilities promised to industrialist and to protect the cottage and small industries in terms of customs rates, tax and excise duties. Similarly, the seventh plan (1985-90) laid again the emphasis on the fulfillment of basic needs and followed the similar guidelines as regards to the development of cottage and small industries. The industrial promotion committee was constituted which suggested the government for meaningful amendment in the industrial policy and the Industrial Enterprise Act. At the outset of eight plans (1992-97), the amendment in the industrial policy was made which followed an amendment also in the Industrial Enterprise Act. Now it can also be expected that with the support of government, there are some chances for small and cottage industries to go further achievement in the 'Three year interim plan'.

## **1.6 Statement of the Problem**

Nepal needs to set up large scale industries; it seems blockage because of the poor capital and other constraints. So, cottage and small scale industries are seem to be of great importance for the economic development. Such industries provide employment for the people, help to generate income, help the country to preserve and promote the traditional arts and finally help in the economic development. But such industries are not boosted and flourished in our country. They have to face various types of problems like production, marketing, management, financing and problem from political instability and so on.

It said that 90 percent of the cottage and small industries has the problem of financing and refinancing of their industries. The time consuming and bureaucratically delayed procedure for loan approval, corrupt mentality on the part of the entrepreneurs and high interest rates are the major problems and constraints for financing of cottage and small industries in Nepal. Therefore, it would be success from thinking to create a new innovative idea for this sector. Marketing has not been able to compete with foreign products due to the high cost of production, inferior quality, design, and price and less primitive tariff of the government. The cottage and small industries are facing decrease in demand due to low qualitative products and insufficient advertising and so on. It is also affected by high cost of raw materials, technologies, infrastructures and



seasonal production, so due to the lacks of adequate market, a series of cottage and small industries have already been closed.

In this context, Biscuit industries of Dhankuta District are facing Different obstacles. They don't get enough market in comparison with the imported goods and products. They are producing their products in low quality. These industries are depending on agriculture. So, they have to rely on agricultural raw materials and can't get raw materials properly. And also these industries are facing lack of worker, in these reasons they are shutting-down every year. So it needs to study about this cottage and small industries.

### **1.7 Objectives of the Study**

The main objective of this study is to appraise the Problem and Prospect of Biscuit industries in Dhankuta District, the specific objectives are:

1. To analyze the problems faced by the Biscuit industries during the production process in the study area.
2. To examine the prospects of the industries.
3. To bring forth the socio-economic status of the workers working on those industries.

### **1.8 Rational of the Study**

Mostly the assumptions as regards to the cottage and small industries in Nepal are made on hypothetical basis. Because of the lack of the adequate information most of the papers prepared on the topics of CSIs do not represent completely the real picture of the CSIs in Nepal. The government sector has not even been able to supply the up-to date numbers of CSIs in Nepal. The problem accumulated up till now concerning the status of CSIs in Nepal are varied and thus need verification. In this context, the present study has, as it is hoped, identified the real problem of CSIs on the one hand and the attempted made to resolve them. About the biscuit industry in Nepal, it is explanted about the relationship between productivity and investment of such industry. It is also helped the how to increase such industries productivity with the respect of increasing cost. The recommendation drawn after the careful appraisal of

the problems and procedural short coming has been naturally help to formulate the industries as such in the future even more effectively.

### **1.9 Limitations of the Study**

This study has following limitations:

- a. The study focuses only on one biscuit industry group, which is Dhankuta municipality.
- b. This study has been focused on the problem and prospects of biscuit industry.
- c. The reliability of the study is dependent upon responses.

### **1.10 Organization of the Study**

This study has been divided into six chapters. The first chapter has covered background, statement of problems, objective of the study, limitations of the study and organization of the study. Chapter second mainly deals the review of literature where all possible relevant information's was consulted and findings of the similar types of research have been cited. This chapter deals with the review of the literature relating with small cottage industries. Chapter third explains research methodology including population, techniques, research design, nature of data, methods of data collection, data collection techniques and data analysis tools. Chapter four is related to with the present situation of cottage industries. Chapter five highlights the facts and findings of empirical study. Chapter six includes summary, conclusion and recommendation of the study.

## **CHAPTER -II**

### **REVIEW OF LITERATURE**

#### **2. Theoretical Review**

##### **2.1 Global Review**

Cottage industry is a Sector to generate national income in under developed countries, which contributes significantly to the progress of economic development. Though agriculture has a dominating share in GDP of developing countries; nonetheless the contribution of industrial sector in national income is also prime for the continual growth and with economic development of such countries. On the other hand, industry being an important component of the nation is regarded the factor that can contribute significantly for the income generating process of the people. Income is likely to augment not only the taxable capacity of their people in the country but also contribute significantly to the tax revenue by paying more in the form of both direct and indirect tax. Therefore, there is no exaggeration in saying that industry plays an important role in economic development and social welfare such as education, health, public utilities etc. A part from helping other social objectives of equality justice and balance regional growth.

World Bank (1998) states that a cottage industry is an industry-primary manufacturing –which includes many producers working from their homes typically part time. It is also called the cottage industry. The term originally referred to home workers who were engaged in a task such as sewing lace-making or household manufacturing some industries which are usually operated from large centralized factories were cottage industries before the industrial revolution. Business operators would travel around buying raw materials delivering them to people who would work on them and then collecting the finished goods to sell or typically to ship to another market. One of the factors which allowed the industrial revolution to take place in Western Europe was had the ability to expand the scale of their operations. Cottage industries are very common in the time when a large proportion of the population was engaged in agriculture because the farmers (and their families) often had both the time and the desire to earn additional income during the part of the year (winter) when there was little farming work to do.

Cottage industries are run by national capital and national resources. In other words, in cottage industry generally everything is used which is available inside the country by small scale industry where power is used and the number of persons employed do not exceed 50 and capital investment is less than Rs. 30 thousand; small scale industries also include those which do not use power but manufacture is carried in factory and where the number employed exceed 9. According to Indian economist C.D. Desmukh “cottage industry are generally means all forms of productions other than organized production in big industries”. At last as a working definition of World Bank small scale enterprises includes enterprises classed as small in their countries subject to an upper limit of 52, 50,000. In 1975 prices for fixed assets including land before any purpose expansion project.

No lower limit is set; small scale enterprises’ sole proprietorships are fully business, small shops with a handful of workers, cottage industries, artisan etc. It is useful to distinguish three categories which themselves comprises varied elements.

1. Small manufacturing forms that is relatively modern.
2. Organized non-manufacturing firms such as those engaged in construction repair transportation and trading.
3. Enterprise not organizes or conduced in modern manner e.g. traditional artisan’s petty traders and transporters in non firm sector.

UNIDO (1969) states that Cottage industries are labor intensive and capital saving in those places where the basic infrastructure is lacking. The social and economic objectives put forward by UNIDO for promoting small- scale industries seem equally relevant and appropriate for cottage industries as well. They include-

1. Social objectives

- Stimulation of indigenous entrepreneurship

- Modernization of tradition of industry

- Creation of employment

2. Economic objectives

- Dispersal of industry

- Diversification

## Utilization of resources

Deweet, Shing and Karma (1971) in his book "Indian Economics" explain that the development of small scale industries is particularly strong in underdeveloped countries like Nepal. Due to the lack of capital and national income, employment potential self employment, capital light, capital formation, skill light, quick yielding, regional development, even distribution of income and wealth, overcoming territorial immobility, reduction of pressure on land inspires for the development of cottage industries.

In India unemployment and underemployment are proliferation economic disaster and where most of the entrepreneurs are capable of making only small investment and where there is lack of sophisticated machinery and modern technology small industry which is labor 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 or 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 or handicraft based or handloom based industries are called cottage and small industries. "Cottage industries have certain peculiarities which make them for the coming appropriate for the state. Apart from the fact that these require a small amount of capital they, can be established everywhere and any where in the country. Besides they can 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 cores persons are engaged in cottage and small industries of which nearly five lakhs work in the handloom industries alone. Many parts of India produce different types of object in wood, both ornamental and utilitarian. Among them the delicately carved figure of god and goddess in sandalwood from Karnataka. Table tops, Chairs, Trays, plates and walking sticks form Maharastha are worth mentioning. Ivory carving is one of the most ancient crafts in India which continuous to be one of the important export items.

In the process of reshaping the Japanese economy to peaceful and democratic ends, the allied occupation is influencing the character of virtually every economic institution, sometimes by direct measures and sometimes by the unintended

consequences of other policies. One of the developments which have not yet received much attention is the altered role of small-scale industry.

Before the war, industrial production in small shops especially in tiny domestic workshops was a notable feature of the Japanese economy. While these small shops resembled their counterparts in other countries with respect to many of the technical methods and operating problems, they acquired a special character in Japan because of their widespread extent, their persistence, and their conservative influence on the social structure. Unlike the situation in the United States, where “small business” is often championed as an bulwark of democracy, small-scale industry in Japan backed the attributes which have gained support for the American institution.

Small and medium enterprises account for approximately 80 percent of the private sector industrial workers and hence occupy an important position in the industrial structure of Japan. The employment creating capacity of the small and medium enterprises in Japan has been seen to be larger than in Germany or United states. Small and medium scale industries play in extraordinary important role as muscles for regional economic development. In the development of sparsely populated areas such as Hokkaido Island in the north they have been a valuable tool for development. In the first half of the sixties the small scale industries accounted for more than 50 percent of Japanese exports. (www.bookrags.com)

Thailand has always attempted to develop herself into an industrial country especially during the past 20 years. During the past 20 years of economic and social development, the level of industrial investment has been rising very rapidly as evidenced by the appearance of many new industries, such as those for electrical appliances, oil refineries, car tire materials, construction materials, garments, paper, steel, sweet condensed milk, wood products, and furniture etc. The share manufacturing output has increased from 16.8 percent of GDP in 1970 to 21.0 percent in 1981 compared to the agricultural share of 24.8 percent of GDP in 198. The value of manufacturing output will roughly equal that of the agriculture sector if policy measures are implemented to increase efficiency in the manufacturing sector in accordance with the fifth plan. It is expected that Thailand will be transformed in to the group of ‘semi-industrialized’ countries by the end of the plan period.

The Thailand government emphasizes the need to develop small- scale industries in the fifth plan because of the significant contributions those industries could play in national development. The reasons are follows:

1. Small-scale industries are more efficient in generating jobs at a relatively low capital cost.
2. Small-scale industries also serve as training grounds where entrepreneurial and management talents may be discovered and developed.
3. Being labour-intensive, small-scale industries are a means of creating employment opportunities for the non-agricultural sector.
4. Because of modest capital, technology and developed not only in urban areas, thus enabling a more balanced dispersion of industrial activities.
5. Small-scale industries help to save foreign exchange.

The problems facing small-scale industries in Thailand are often the same as those faced by medium and large- scale industries. Such problems may be conveniently grouped under the following headings: supplies, labour forces, financing and credit and marketing. Recommendations for small-scale industry Development from the empirical evidence gathered on small-scale industries, the writer strongly believes that managerial competence is a key determinant to the success of small-scale industries. The government should have a program for entrepreneurship and enterprise development. Even though, the industrial service institute, under the Department of industrial promotion has planned to introduce this program, it is still at the development stage. Other government institutions or international agencies should step in and get the program off the ground (Industrial Registration, 2001).

## **2.2 National Review**

Acharya (1984) in his research “Cottage Industries in Nepal” appraise the cottage industries in Dhankuta District and he also argue that, there is a high potentiality of development and promotion of cottage industries in Nepal Which is beneficial in comparison to large ones for increasing labour productivity and raising the standard of living in the rural areas. The importance of the small scale industries are more important than the large scale industries, due to constraints such as geographical difficulties, landlockedness of the country, small size of national market, low levels of income and investment etc. Acharya further says, the promotion of handicrafts and

cottage industries could play an important role in the implementation of a development strategy. Emphasizing on its role on employment generation, the improvement of rural incomes, the expansion of the promotion of basic needs goods he argues that the major cottage industries in Nepal are either agro-based or forest-based. In addition, cotton and woolen textiles and metal based industries are also significant in the country. The cottage industry sector is playing an important role to meet the industrial and other household demands of most of the rural populaces of the country, more particularly the demands of the people of the hill and the mountain regions.

His research identifies the problems related with the development and growth of cottage industries in Dhankuta District mainly through the two angles. Firstly, he thinks that it has to be looked through the eyes of the cottage industry owners to ascertain the difficulties they are facing in running their small production units. Secondly the serious note of the experience and information gained and gathered by the concerned institutions and agencies over the years should be taken for the healthy growth and promotion of cottage industries. The constraints and bottlenecks he mentions are as follows:

1. Problems faced by the cottage industry owners
  - i. Deficiency of capital
  - ii. Lack of raw materials
  - iii. High competition and low demand
  - iv. In the absence of feasible industrial schemes and other relevant information.
  - v. In the absence of institutions for counseling and monitoring
2. Issues raised by institutions
  - i. The sale of raw materials and other cottage industries equipment has observed a declining tendency
  - ii. Most of the cottage industries are facing uneven competition from the similar foreign products
  - iii. Cottage industry is not yet been looked as the main and dependable profession in itself
  - iv. Delivery of raw materials and other inputs to the cottage industries of remote areas of the district is still a problem due to transportation difficulties and high cost



- v. Lack of industrial awareness, skill, knowledge and entrepreneurship
- vi. The loan sanctioning process is still known to be long
- vii. Development of cottage industry has not been given serious consideration to date at both at the policy and implementation levels.

Upadhyay (1986), in his book “Cottage and Village Industry for Economic Development in Nepal” explain that the cottage industry sector of Nepal has not been able to hence headway in the country’s rural economy. Recognizing the fact that in countries like ours where all characteristics of traditional society exist and which is struggling hard to pass over the stage of precondition for takeoff rural development may be the appropriate strategy to achieve rapid economic development. However, the cottage industry plays an important role in the rural development programme notwithstanding various government policy incentives. The cottage industry system has remained static ever the years and it has not been widely recognized that Nepal will have to move generally toward rapid industrialization. To withstand new challenges of 1990’s, besides rescuing the country from the state of economic stagnation, HMG/N has accorded priority to promote cottage industries so as to expand industrialization right at the grass root level in view of the serious limitation faced by other scale of operation.

DUCL and ISO (1996), states that in Gorkha District the most profitable job appear to Radi and Bakkhu weaving with return of labor Rs. 112 per day. But level of production is very low for two reasons- low supply of wool and it is very much time consuming and does not allow for increased population. In the same district the job of blacksmith appears very profitable but lack raw materials and markets. Similarly, in carpenter the returns are 87 percent but are lack of good market and thus operate on a small scale.

Panta and Joshi, (2005) expressed their view pointing out the importance of small and cottage industries in the book named “Introduction to quantitative technique in Nepalese economy” . They have further said that the establishment of small and cottage industries need less capital, limited raw material, low technical knowledge and low human capital. Such industries can be established and run by households. Nepalese people are experienced in producing traditional goods. Hence the small and cottage industry forms 25 percent of the total number of organized industries and contributes more than 50 percent to the total industrial production.

Khanal (2006), in his study The “Cottage and Small Industries in Nepal” explains small and cottage industries situation and role of economic progress in Nepal. The main objectives of the study is a appraise the rice, flour and oil industries in Kailali District, it attempts to find the productivity, investment and the rational for the implementation of such industry in national prospective and found that the cottage and small industry has been insignificant to production and employment generation according to investment the own capital of the entrepreneurs has found insignificant. The process that the use of cottage and small industry finance is indispensable for those who have bigger investment potentiality. Besides production, the cottage and small industry project has seen proved to be the source of employment and income generation in this sector. Therefore, the government should continue the industry and try its best to localize more financial resources for the development of cottage and small industry sector. Now a day, there is a tendency among the commercial bank not to flow the loan in this sector. The Nepal Rastra Bank should play a determinant role in order to make the commercial bank invest more in the cottage and small industry. If this happens, the industrial development of the country can be a factor of overall economic development of the country.

Three year interim plan (2007-1010) clearly states that since ancient times, cottage and small scale industries is being prioritized. Although it is considered through when planning was started. There are 10 plans completed and an 11<sup>th</sup> three year interim plan is in action. Government has considered industries as the priority sector. In this time plan period, government has taken the policy that the industrial environment will be created such that Nepalese industry will be able to complete with the world’s economy. Industry will achieve average annual growth rate 6.2 percent investment will about to 4700cores, generating 150,000 additional employments, establishment, operation and exit will be made easier to make industrial sectors competitive, starting one door system developing comparative and developing competitive capacity are the main considerable policy of interim plan.

The small and cottage industry plays an important role in upgrading economic standard of the development of cottage and small industry and release pressure of population on agriculture. Cottage and small scale industries become a supplementary source of income to the farmers and condition cannot be miserable during the crop failure. Since the small and cottage industries are more labor intensive, more people

get employment. It contributes about 76 percent of the total employment generated by the industrial sector.

Adhikari (2010), in his study “Problem and Prospects of Cottage and Small Industries” finds the significant role of cottage industry in the overall economic development of the economy. He studied the problem and prospects of small and cottage industry and found the role being played by cottage industries in the economy is a great importance however government supports in the form of financial and the technical aspects to know the market facilities of Nepal. Therefore, he has suggested that effective training programmed, improve production and marketing situation along with adequate financing assistance must be provided by the government to these industries. Besides this, employment opportunities for trained persons must be made available with the expansion of market for the product of these industries which is quite essential too. For importance of quality of products and maintenance of quality is also necessary. He has also suggested that protection of these industries is also necessary.

## **CHAPTER -III**

### **RESEARCH METHODOLOGY**

#### **3.1 Rationale of the selection of the study Area**

Biscuit industries which are regarded as the small scale industries are considered to be the primary and more beneficial for the generation of the employment opportunities in the rural and semi-urban areas of Nepal. This study which is concerned to expose the problems and the prospects of the biscuit industries and the socio-economic status of the laboures of the industries of Dhankuta municipality is concerned with the census survey. The rationales for the area selection are as follows:

1. It represents the status of the biscuit industries of the rural and semi – urban area of Nepal.
2. It is home district.
3. Such type of study has not been carried out in the district before.
4. It is accessible to analyze and obtain data from biscuit industries than from other large scale industries while studying the nature and scope of the labours of the industries.

#### **3.2 Research Design**

The research designs which have been adopted to the purpose of this study are both analytical and descriptive types. While preparing this study one of the popular type of research design, i.e. census survey has been used. The present study thus focuses on the investigation of the socio-economic status of the labours and the problems and prospects of those industries,

#### **3.3 selection of the study area**

Among the total 13 registered biscuit industries of the of the Dhankuta municipality, the different 8 running industries which are located in the municipality ward no.1, 4,5,6,7 are selected for the purpose of this study.

#### **3.4 Universe/Population**

While conducting the census survey for this study; the universe of 8 Biscuit industries and all the total 33 workers are selected. Besides, the other stakeholders and other key informants are also considered for the informal discussion and

accidental interview. Where, the key informants are the elder persons, social workers, politicians etc of the study area.

### **3.5 Nature and Source of Data**

The collected and used data and information are both qualitative and quantitative in nature and have been collected from both primary and secondary sources. The primary source is the field survey, which has been conducted by the researcher in order to generate and obtain the primary data whereas many published and unpublished materials provided are the sources of secondary data.

#### **3.5.1 Primary Data Collection**

The required data and information from the primary sources are collected with the following techniques:

**Questionnaire:** While developing the set of questionnaire, various information's like, socio-economic status of the workers, problems faced by those industries in production process as well as the future prospects of those industries are incorporated.

**Questionnaire for Personal Interview:** A set of questionnaire are used for personally interviewing the selected worker of the industries. The questionnaire included both open and close ended questions.

**Informal Discussion:** Informal discussion with key informants, industries owner, CSI field staffs and other concerned agencies are held during the survey.

**Field Observation:** Field observation is also the key factor of the survey which has been accomplished similarly during the field study.

#### **3.5.2 Secondary Data Collection**

Secondary data are collected from different published and unpublished sources. Text and reference books: the literature regarding the small and cottage industries were consulted throughout the study.

Book, brushers, booklets etc published by DSCI were also consulted

District profile of Dhankuta, Nepal.

### **3.5 Data Processing and Analysis**

A huge mass of data that have been generated during the study period. To handle it conveniently the collected raw data are processed in a computer in the beginning by means of sorting, grouping, frequency distribution and tabulation presented in the forms of table, pie-chart and bar-diagrams etc. Both qualitative and quantitative data have been analyzed with appropriate statistical tools accordingly. In case of quantitative data; percentage, average, and frequencies has been used. On the other hand, descriptive method of analysis has been applied for qualitative data.

## CHAPTER- IV

### PRESENT SITUATION OF SMALL AND COTTAGE INDUSTRIES

#### 4.1 Present Status of Small and Cottage Industries

The growth and development of cottage and small-scale industries in Nepal may be traced back to the periods prior to the Christian era. During those days, various types of artistic goods requiring high degree of craft used to be produced and exported particularly to India and Tibet. By the 4<sup>th</sup> century B.C. and afterwards, Kautilya and several Chinese travelers and referred to this point. The pages of ancient history indicate that the artistic products exported from Nepal were highly admired for their high craft and artistic beauty. Handloom cloths, carpets, curio goods, handmade paper, metal and wooden goods were the leading products of the then cottage and small scale industries of Nepal. Coming to the recent period, the establishment of the Department of Cottage and small- scale industries in 1993 is conceived to be the landmark in the development of cottage and small-scale industries in Nepal. The architectural skill of Nepalese artisans can even now be observed in many of the ancient temples, *Stupas* and palaces of the Kathmandu valley and other places (Kheral 2005).

According to recent information, there are all together 155112 cottage and small-scale industries registered up to 2066/67 BS (Industrials Promotion Statistics, 2067) which are shown in below.

**Table 4.1: Number of Cottage and Small Industries Registration in Nepal**

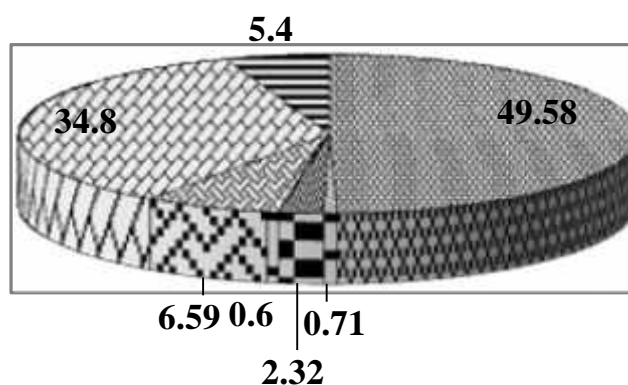
Year	Unit of Registration	Total
Up to 62/63	106277	106277
63/64	8711	114988
64/65	9382	124370
65/66	17722	142092
66/67	13020	155112

**Table 4.2: Types of CSIs in Nepal**

S.N.	Types of industries	Up to 062/63	63/64	64/65	65/66	66/67	Grand Total
1	Productive	62559	2967	3290	3988	4092	76896
2	Fuel	945	96	39	51	9	1140
3	Agriculture and forestry	1778	251	377	611	578	3595
4	Minerals	259	4	24	654	3	944
5	Tourism	3336	559	920	3983	1419	10217
6	Service	30139	4653	4480	8025	6649	53946
7	Building	7261	181	252	410	270	8374
Total		106277	8711	9382	17722	13020	155112

*Source: Department of CSI 2010*

Table 4.2 shows that the total sum of industry from upto fiscal year 2051/52 to fiscal year 2062/63 is 106267. But the fiscal year 2066/67 the number has reached 155112. The table shows that the productive industries which has registered is maximum.





The above figure shows the registered cottage and small industries up till now. Where the productive industry covers maximum 49.58 percent, Service industry covers 34.8 percent, Tourism industry covers 6.59 percent, Building industry covers 5.40 percent, Agriculture and forest industry covers 2.32 percent, Fuel industry covers 0.71 percent and minimum 0.60 percent is covered by mineral industry.

**Table 4.3: Employment, Investment and Types of Firms**

<b>F.Y.</b>	<b>Private</b>	<b>Partnership</b>	<b>Company</b>	<b>Total</b>	<b>Capital Investment (Rs. Billion)</b>	<b>No of Employment</b>
057/58 up to	125469	8085	6477	140003	6552.89	1381208
58/59	8851	526	513	9890	772	65374
59/60	6768	454	340	7562	591	47455
60/61	5985	548	600	7133	611	44725
61/62	6972	499	559	8030	1101	74695
62/63	5864	372	1994	8230	670	39738
63/64	6587	386	738	8711	728.6	54145
64/65	7993	533	856	9382	877	54523
65/66	16238	541	943	17722	1531.7	82045
66/67	11250	654	1116	13020	1532.88	70561
<b>Total</b>	<b>202977</b>	<b>12570</b>	<b>14136</b>	<b>229683</b>	<b>16057.074</b>	<b>1914469</b>

*Source: Department of CSI 2010*

Table 4.3 presented total intromission about the private, partnership and joint stock company there capital investment and employment up F.Y. 2066/67 total 229683 industries are registries. Among them 202977 private, 12570 partnership and 14136 are the joint stock company. Total capital investment of these firms is 16057.074 billion and total employment is 1914469. F.Y.2066/67 at 13020 no. of firm's registration. Among them 11250 private, 654 partnership and 1116 companies in this fiscal year. Similarly total investment of F.Y. 2066/67 is 1532.88 billion and number of employment is 70561.

**Table 4.4: Cottage Industry in Dhankuta**

<b>S.N.</b>	<b>Fiscal Year</b>	<b>No. of Firm</b>
1	Up to 061/62	808
2	062/63	17
3	063/64	19
4	064/65	29
5	065/66	49
6	066/67	66
Total		988

*Source: Department of CSI 2010*

The table 4.4 shows the registered industries of Dhankuta up till now. From fiscal year 051/52 to fiscal year 061/62, 808 industries has registered and 17in 062/63, 19 in 063/64, 29 in 064/65, 49 in 065/66 has registered. Up till now the total number of registered industries is 988.

## CHAPTER-V

### FACTS AND FINDINGS OF EMPIRICAL STUDY

#### 5.1 Problems of Entrepreneurs in Biscuit industry in Dhankuta Municipality

Entrepreneurship plays a vital role for any entrepreneurs to manage the industries, so that entrepreneurs is a primary part of any industries; cottage, small, medium or large industry. Without entrepreneur any industry cannot be run. It is in the hands of entrepreneurs how to manage the industries. But there are many problems of entrepreneurs which came in the working path of their managerial activities. The main problems are financial, marketing, raw materials shortage and problems created by the relation between workers and entrepreneurs. The entrepreneurs of the Biscuit industries of Dhankuta municipality are also facing such problems which are shown in the table below.

##### 5.1.1 Nature of Workers Selection

Worker is the main source of any industry. Success and failure of the industry depends upon the skilled manpower. Selection of worker employed system shows the nature of entrepreneur's behavior and also making their future. System of selection is tried to be analyzed through the following table.

**Table 5.1: Process of worker Selection**

S.N.	Nature of Selection	No. of Firm	Percentage
1	Free competition	1	12.5
2	Family related	4	50
3	Experience	2	25
4	Other	1	12.5
Total		8	100

*Source: Field Survey 2011*

Table 5.1 shows one industry (12.5 percent) is selected worker from free competition, 4 industries (50percent) are from family related person, 2 industries (25percent) are from workers form experience and 1 industry (12.5 percent) are from other. It seems

that higher percentages of workers are selected from entrepreneur's family related person which decreases the chances of the selection of skilled manpower.

### 5.1.2 Sufficiency of Worker

As we consider worker is the driving force of any industry, worker forces shows are available at the required amount. Man is the means and ends of all activities.

**Table 5.2: Sufficiency of Worker**

S.N.	Sufficiency of Worker	No. of Firm	Percentage
1	Yes	3	37.5
2	No	5	62.5
Total		8	100

*Source: Field Survey 2011*

Table 5.2 shows that 62 percent of the industries have not sufficient worker force. Most of the industries have insufficient workers. It is because of lack of financial resources or any other problem.

### 5.1.3 Working Time Durations

Form the survey it is found that most of the workers in the industries work normally 8to 10 hours per day.

**Table 5.3: Working Time Duration**

S.N.	Time Duration	No. of Firm	Percentage
1	4-6 hours	1	12.5
2	6-8 hours	3	37.5
3	8-10 hours	3	37.5
4	More than 10 hours	1	12.5
Total		8	100

*Source: Field Survey 2011*

Table 5.3 shows that the workers who work 4-6 hours are 12.5 percent; 6-8 hours are 25 percent and more than 10 hours are 12.5 percent. It shows higher percentages of workers work at 8-10 hours per day. It created laziness, boring and tidy feeling to the workers. To work more than 8 hours per day is also above than international standards.

### 5.1.4 Nature of the Use of Modern Technology

Technology updates and increases the production smoothly; it helps significantly, so every entrepreneur wants to use existing technology.

**Table 5.4: Nature of the Use of Modern Technology**

S.N.	Use of Modern Technology	No. of Firm	Percentage
1	Yes	3	37.5
2	No	5	62.5
Total		8	100

*Source: Field Survey 2011*

Table 5.4 shows that 37.5 percent of the industries are using existing technology and 62.5 percent industries are not able to use existing technology.

### 5.1.5 Selling Places of Industries

Selling places is one of the important factors to analyze the status of the industry. The selling places of Biscuit industries in Dhankuta Municipality are described below.

**Table 5.5: Selling Places of Industries**

S.N.	Selling Places	No. of Firm	Percentage
1	Business man	3	37.5
2	Within municipality	2	25
3	Within district	2	25
4	Out of district	1	12.5
Total		8	100

*Source: Field Survey 2011*

The table 5.5 shows that is about the selling places of produced goods by the biscuit industries of Dhankuta municipality. The produced goods are sold to the businessman by 37.5 percent but 25 percent industries sell their products within the municipality only. Likewise, other 25 percent industries sell their products not only within the municipality and also other places of Dhankuta district. There is only one oldest industry which sells its product in and out of the district. It maintains the good quality of products by which its products are sold largely and the products are also known as

“Dhankute Biscuit” everywhere in the Eastern region. Most of the entrepreneurs have good knowledge about ‘how to make biscuit’ due to the involvement in the industries.

### 5.1.6 Utilization of Profit

Profit is the incentive force to run and operate the industry. Sometimes, profit will be invested to promote the same industry and sometimes it may be used for other purposes. Where the profit of the Biscuit industries of Dhankuta municipality is using by the entrepreneurs is presented below.

**Table 5.6: Utilization of Profit**

S.N	Utilization of Profit	No. of Firm	Percentage
1	To promote the same industry	2	25
2	For household consumption	4	50
3	To fund other industry	1	12.5
4	For other purpose	1	12.5
Total		8	100

*Source: Field Survey 2011*

Table 5.6 shows that, 2 industries (25 percent) are using their profit to promote the same industry, 4 industries (50percent) are using for household consumption, 1industry (12.5percent) is using their profit to fund other industry and 1 industry (12.5 percent) is using their profit to for other purpose.

### 5.1.7 Physical Condition of the Industry

Industries physical condition plays as important role in the production process. Wide area of the industry, light and healthy environment enhance the production process. Moreover the good provision and after physical facilities in the industry further reduces the chances of accidents in the industry. The following table shows the physical structure of the industries of the study area.

**Table 5.7: Physical Condition of the Industry**

S.N	Physical Condition of the Industry	No. of Firm	Percentage
1	Good/Normal	1	12.5
2	Dirty	1	12.5
3	Dark	2	25
4	Congested	3	37.5
5	Dusty	1	12.5
Total		8	100

*Source: Field Survey 2011*

Table 5.7 shows that only one industry (12.5 percent) of the study area has the good provision of physical facilities. Whereas after seven other industries (87.5 percent) do not have the proper and quality of environment for the production and workers. These industries are preoccupied with the various problems. They are dark, dirty, congested and dusty. Among 7 different industries, 3 industries (37.5percent) are very congested. Entrepreneurs say that due to the lack of capital, they are not able to enlarge the area of workplace. Through this it can be said that the present physical condition of the cottage industries are very worse. If the qualitative production is to be kept the physical condition of these industries should be well maintained.

### **5.1.8 Formal Training Status before Entering the Industry**

To be update and increase the production smoothly with minimum cost, training helps significantly. The trained manpower not only produces qualitative goods and services but also decreases the cost of production.

**Table 5.8: Formal Training Status**

S.N.	Training Status	No. of Firm	Percentage
1	Yes	3	37.5
2	No	5	62.5
Total		8	100

*Source: Field Survey 2011*

Table 5.8 shows that 75 percent of the entrepreneurs have not taken any type of training where as only 25 percent entrepreneurs have taken training of different time period.

### 5.1.9 Nature of Problems for Production

Industries have different kinds of problems of production such as technology, skill manpower, and market facility and so on. Some of the problems that the Biscuit industries of Dhankuta municipality are facing are presented below.

**Table 5.9: Nature of Problems for Production**

S.N.	Problems for Production	No. of Firm	Percentage
1	Lack of capital	1	12.5
2	Lack of skilled manpower	1	12.5
3	Traditional technology	1	12.5
4	Limited market	2	25
5	Transportation	0	0
6	Both 1 and 4	3	37.5
Total		8	100

*Source: Field Survey 2011*

Table 5.9 shows the problem of the industries in production process. Among the various problems, the main problem is the lack of market which is 62.5 percent. On the other hand lack of capital is 50 percent as the Biscuit industry does not need the specific skilled manpower the table shows the lack of skilled manpower is not a great problem which is just 12.5 percent. The problem of traditional technology is also 12.5 percent which is also not been considered as a seminal problem of the industry because even the traditional technology can sustain the demand of the market. But the lack of the market and lack of the capital are the major problems. The lack of equal no of shops within the municipality come this problem. The shops are located especially in ward no. 4 and 7. On the other hand most of the entrepreneurs are middle class, they do not get loan in minimum interest rate which also came the crises of financial and the lack of capital.



### 5.1.10 Problems of Labour Employed

Really, labour is the key input for the production purpose and the problem they have faced should be minimized otherwise effective and effective production may not be achieved. Laborers who are facing different types of problems in CSIs in DKT are depicted as following.

**Table 5.10: Problems of Labour Employed**

S.N.	Nature of Problem	No. of firms	Percentage
1	Low salary	3	37.5
2	Gender discrimination	2	25
3	Sex Violence	1	12.5
4	Other	2	25
Total		8	100

*Source: Field Survey 2011*

Table 5.10 shows the problems of labour employed in biscuit industry. From the table, 37.5 percent of firms have given low salary, 25 percent labors are facing gender discrimination, 12.5 percent are suffering from sex violence and 25 percent labors are suffering from other problems respectively. It means higher percentages of laborers are suffering the problem of low salary.

### 5.1.11 Difference between Male and Female Salary

In almost all area we can see salary discrimination between male and female whether they work same work. In the study area, it is also witnessed which is represented through following table.

**Table 5.11: Male and Female Salary Discrimination**

S.N.	Amount of Difference	No of firms	Percentage
1	Less than 100 Rupees	1	12.5
2	100-399 Rupees	2	25
3	More than 400 Rupees	5	62.5
Total		8	100

*Source: Field Survey 2011*

Table 5.11 shows, 12.5 percent of female workers have been discriminated by less than 100 Rupees, 25 percent of female workers have been discriminated by 100-399 Rupees and 62.5 percent are suffering from more than 400 Rupees respectively as compare to the male workers which seem very miserable.

### 5.1.12 Source of finance

Finance is one of the major factors to operate the industry to goods and services. But very few of them have known about banking system in Nepal. Financial sources of Biscuit industry in the study area as follows:

**Table 5.12: Source of finance**

S.N.	Source of Finance	No. of Firms	percentage
1	Bank/ Financial institutions	2	25
2	Local Money Lender	5	62.5
3	Other	1	12.5
Total		8	100

*Source: Field Survey 2011*

Table no. 5.12 shows, that 62.5 percent of firms have been financed from local money lender and only 25 percent of firms have been financed from bank or financial institutions and also only remaining 12.5 percent firms have been financed through other sources. Almost all the entrepreneurs have financed their industries through local money lenders and very few of the entrepreneurs have financed through either from banks or from financial institutions.

### 5.2 The prospects of the industries:

Besides the multitudes of the problems prevalent on those industries, there are various prospects and possibilities realized during the study. For the creation of the employment opportunities as well as for utilization of the locally available materials these industries are very much useful. On the other hand they can also be regarded as the sources to mobilize the savings of the local entrepreneurs there by creating self-sufficiency and economic independence to them. As these industries require small scale of initial investment, they are easy to establish. Further the product can be the good option for fulfilling the demand of the market. While analyzing the prospects of

those industries, the sources of the raw materials, nature of initial investment and demand condition of the industries are focused on the following points.

### 5.2.1 Sources of Raw Materials

Raw materials are one of the essential elements to determine its quality, cost of the production etc. it is also the element of success and failure of every industry. As these biscuit industries primarily depend on local sources as the raw materials for the production process, they can be regarded as means to utilize the local raw materials for the industries.

**Table 5.13: Sources of Raw Materials**

S.N.	Sources of Raw Materials	No. of Firm	Percentage
1	Self and local sources	5	67.5
2	Import in out of district	1	12.5
3	Both 1 and 2	2	25
Total		8	100

*Source: Field Survey 2011*

In the table 5.13, it is displayed that 67.5 percent of total industries of the study area are using self produced and local raw materials 12.5 percent are using import in out of district raw materials and 25 percent are using both local and imported raw materials. This shows that most of the industries are using local raw materials. This hints that if the more numbers of industries are established, there can be the maximum chance of using the local materials.

### 5.2.2 Nature of Initial Investment

There is a high potentiality of development and promotion of cottage industries in Nepal in side of investment. It is because these industries can easily be established with the little amount of money and other sources. The varied size of initial investment for the establishment of the small and cottage industry have presented below in the table.

**Table 5.14: Nature of Initial Investment**

S.N.	Amount of Investment	No. of Firm	Percentage
1	Below 50 thousand	4	50
2	50 thousand to 1 lakhs	3	37.5
3	More than 1 lakhs	1	12.5
Total		8	100

*Source: Field Survey 2011*

Table 5.14 shows the amount of capital that was invested at the time of the establishment of the different industries. According to the table, 50 percent entrepreneurs have invested less than 50 thousand. Therefore, the table shows that the establishment of those industries is easier and has got the high possibilities of utilization of the local savings.

### 5.2.3 Demand Condition of the Industry

Demand condition is the most important factors to analyze the status of the industry. Demand condition indicates the further way and measures to deal on the part of the entrepreneurs. The success of the industry depends upon its demand condition. As the demand for the biscuit is very high, these local industries can be the means to fulfill the need of the people by substituting the demand for the other imported products.

**Table 5.15: Demand Condition of the Industry**

S.N.	Nature of Demand	No. of Firm	Percentage
1	High	5	62.5
2	Moderate	3	37.5
3	Low	0	0
Total		8	100

*Source: Field Survey 2011*

The table 5.15 shows that 62.5 percent industries have the high demand whereas demand of other 37.5 percent industries have medium. Development of science and technology has made the people's life easier, thus the produced biscuits are highly demanded for the various purposes. So, in case of marketing, the all industries may have good demands.

### 5.3 The Socio-Economic Status of Workers

The main parts of industries are workers, so the goods are produced with the help of workers which is also taken as the major parts of worker. According to time place primary materials goods and with the tools of production the workers produced the things. So the number of workers must be increased as necessary. As the workers are large in numbers with the help of division of workers time and can be.

The table below shows the main employment of the workers which are suitable for them. The table also shows the employment of the workers according to the industries and with the help of workers it shows the general life style of the workers.

#### 5.3.1 Sex-Ratio of the Workers

The respondents of this research include either male or female from the workers which involve in Biscuit industry.

**Table 5.16: Distribution of Workers by Sex**

S.N.	Gender	No. of Workers	Percentage
1	Male	20	60
2	Female	13	40
Total		33	100

*Source: Field Survey 2011*

Among the workers male are 60 percent and female are 40 percent. It also shows that the male workers are in higher in no. than female workers in these industries.

#### 5.3.2 Age-Ratio of the workers

The workers are belongs to the different age group.

**Table 5.17: Distribution of Workers by Age**

S.N.	Age group	No. of Workers	Percentage
1	Below 15	4	13
2	15-24	8	24
3	25-34	9	27
4	35-44	6	18
5	45+	6	18
Total		33	100

*Source: Field Survey 2011*

Table 5.17 shows the age group from 25-34 are larger in number i.e. 27 percent. Similarly in the age group of 15-24 are 24 percent, 35-44 are found 18 percent where as the above 45 years age group is 18 percent and below 15 age group in only 13 percent.

### 5.3.3 Educational Status of Workers

Education is an important element of life that exposes the bright future. It plays a vital role for the development of people. It is a principle mechanism of fulfilling agent for awareness and change. Therefore it is a central to the process of empowering both workers and entrepreneurs.

**Table 5.18: Distribution of Workers by Educational Status**

S.N.	Level of Education	No. of Workers	Percentage
1	Illiterate	6	18
2	Informal Education	4	12
3	Primary	10	30
4	Secondary	11	33
5	Higher secondary and above	2	7
Total		33	100

*Source: Field Survey 2011*

The table 5.18 shows that indicates among the workers 18 percent were illiterate, the informal education (who are not schooling) are 12 percent. The number of workers with primary level of education are 30 percent, secondary level of education were high number which belongs 33 percent and higher secondary level is only 7 percent.

### 5.3.4 Choice of Biscuit Industry for the Employment

The large masses of people in DKT municipality are employed in main occupation and works. Here are different types of Cottage industries and with the help of it many people has got employment. Here the question comes why you select the workers to work in the biscuit industry as a sector of employment? With which the following table is set to deal.

**Table 5.19: Selection of Biscuit Industry**

S.N.	Selection of Biscuit Industry	No. of Workers	Percentage
1	Experience	6	18
2	Simple work	11	33
3	Not get other job	9	27
4	other	7	22
Total		33	100

*Source: Field Survey 2011*

The table 5.19 has shown the causes behind the biscuit industry for employment. In which 18 percent are selected with the help of experience, 33 percent are selected with the simple work in industry, whereas there are 27 percent of workers who have not get work in other places and 22 percent are for other reasons. Through which, what is shown that for the workers of the biscuit industry there is no causes and differences if they are not experienced to work in biscuit industry. There need not more physical work and if is limited to small working hours. Just so, it is found that the working in biscuit industry is taken as an easy work and if is found that such types of industries have got their success to create the employment.

### **5.3.5 Employment Status before working in the Biscuit industry**

Human beings do different types of works according to their qualification, experiences, efficiency and suitability. They can hold another occupation if they are not satisfied with the ongoing work. The status of the workers before the employment in the biscuit industry is shown in the following table.

**Table 5.20: Employment Status before Working in Biscuit Industry**

S.N.	Pre -work Situation	No. of Workers	Percentage
1	Yes	14	42
2	No	19	58
Total		33	100

*Source: Field Survey 2011*

In the table 5.20, it is shown that the status of the workers before the employment in the biscuit industry is 42 percent and 58 percent has not any employment. It is shown

that causes behind leaving their former employment is hard work, excess physical work and not sufficient wages etc. therefore what is shown from the above table is that such types of industries are providing the employment for the unemployed people.

### 5.3.6 Income Sources of the Other Family Members

As many members of the family are employed due to economically efficient. It is very hard to settle the family with the income of the single person. The table below shows that the other members of the workers family have or have not any employment.

**Table 5.21: Family Member's Job Status**

S.N.	Family Members Job	No. of Workers	Percentage
1	Yes	23	69
2	No	10	31
Total		33	100

*Source: Field Survey 2011*

In the table 5.21, it is shown that 69 percent of the other member's workers families have their income source and 31 percent have not. The other members of the workers family are living their lonely life that has not any employment.

### 5.3.7 Expenditure Sector

Human being spends their money in many sectors. For an example household expenditure, study, entertainment etc. the expenditure sector of the workers of the biscuit industry is shown in the table below.

**Table 5.22: Expenditure Pattern**

S.N	Expenditure Sector	No. of Worker	Percentage
1	Household consumption	13	39
2	Entertainment	5	15
3	Self consumption	7	21
4	Other	8	25
Total		33	100

*Source: Field Survey 2011*



According to the table, 39 percent workers spend their money for household consumption, 15 percent workers spend in internment and 21 percent workers spend for their own needs but 25 percent workers spend in other sectors.

### 5.3.8 Saving Pattern

The workers save some money from their income to make easy their future uncertainty. The saving pattern of the workers is shown in the following table.

**Table 5.23: Saving Pattern**

S.N	Saving	No. of Workers	Percentage
1	Yes	12	36
2	No	21	64
Total		33	100

*Source: Field Survey 2011*

The table 5.23 shows the saving pattern of the workers among than, 36 percent workers save form their income whereas 64 percent have not any saving. The main cause behind not saving is that they get the wages only form the working days and high price of the daily consumption goods.

### 5.3.9 Working Problem

Dhankuta municipality biscuit industries workers are facing many problems:

Such as low salary, long time working hours, hard work etc. which is shown in the table below.

**Table 5.24: Working Problem**

S.N	Problems	No. of Workers	Percentage
1	Low salary	9	27
2	Long work time	11	33
3	Hard work	6	18
4	Other	7	22
Total		33	100

*Source: Field Survey 2011*

According to the table 5.24 is shown that, 27 percent workers are facing the problem related to the low salary, 33 percent workers are facing the problem of long time working, 18percent workers have hard work and 22 percent are facing other problems.

### **5.3.10 Satisfaction with Occupation**

The biscuit industries workers satisfaction with occupation is shown in the following table.

**Table 5.25: Satisfaction with Occupation**

<b>S.N.</b>	<b>Satisfaction with Job</b>	<b>No. of Workers</b>	<b>Percentage</b>
1	Yes	19	58
2	No	14	42
Total		33	100

*Source: Field Survey 2011*

Table no 5.25 shown, 58 percent workers are seemed satisfied with their occupation and 42 percent workers are seemed unsatisfied. According to the view of satisfied workers; working for the long time and familiar with the work they are satisfied, whereas the unsatisfied workers views that they have to search for the occupation in the market for the long time as well as they have lack of training and lack of money which is the main cause for them for not leaving the un going occupation.

## CHAPTER –VI

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 6.1 Summary

CSIs have a long tradition in Nepal. Till the beginning of 20<sup>th</sup> century, it was ever-expanding and had monopolized Tibetan market. Institutional attempts were made both in pre- Rana and post-Rana period to develop this sector. The CSIs have been one of the priority sectors of Government for last thirty years i.e. from the beginning the six plan (1980-85). The industrial policy and industrial enterprise Act have given various fiscal and non- fiscal incentives to this sector.

These CSIs are fruitful in Nepal due to the different aspects such as territorial, economic, social etc. more than 90 percent of industries can be categorized as small and cottage industries. There is enough possibility of improving these small industries. In the context of Nepal, small and cottage industries are quite enough to eliminate poverty and to develop the nation economically. Thus moral, legal and process wise reformation of small and cottage will help to increase domestic product and employment of the nation.

This study is undertaken though the primary data collected by questionnaire technique from the Dhankuta municipality of Dhankuta district where small and cottage industry made significant change on the entrepreneur's livelihood. Through study area does not encompass a wider range and study is limited within only biscuit industries, it tries to figure out the main problems and prospects of labour employed, Production, marketing in these industries. It hopes that this research will be helpful and will play a vital role for the identification of the problems and solution of the problems of the study area.

While analyzing the labour selection process in Biscuits industries of Dhankuta municipality, it is found the most of the labours are selected from kith and kin relationship. Similarly there is very few person are selected from free competition. The labours work for 8-10 hours in a day which is maximum than the international standard. But the other facilities provisions are nearer to such laws and regulations.

Through the study it is found that in 63 percent of the industries due to the lack of adequate no of labours there is the higher workload. In these industries maximum of

them more than 50 percent have adopted traditional technology; where only 37 percent of them have adopted new technology. Similarly, 50 percent industries started their industry with the investment of 50 thousand, 38 percent industries are started with the investment of 1 lakh and rests i.e. 12 percent are started from more than 1 lakh. Maximum of the industries demand status is high. There is not any industry which has lower demand status. 63 percent of their supply of raw materials is from local resources where as 25 percent industries supply there raw materials from internal and external sectors. In the industries, only 25 percent owners have got formal training which is required in their business and rest of the others are running their industries without any formal training.

The profit earned from the industries is used in domestic purposed for the continuation of the same industries and other sectors. Where 50 percent owners are the amount in their domestic purpose and the other 25 percent and 25 percent are the money in same industries and other sectors.

Primarily the main problem of these industries is lack of the market which is faced by 60 percent of the industries similarly lack of capital, lack of skilled manpower, traditional technologies to the other problems of their industries. But we cannot see any difficult regarding the transportation facility in the study area.

While analyzing gender and age group of the labours, there are 60 percent male and 40 percent females and there are 37 percent labours who belong to 16-30 age group and 33 percent fall on 31-45 age group. There are only 12 percent labours below 15 years and 18 percent of them are above 45 years, on the other hand regarding the educational status of the labours 33 percent of them have got high school education but only 7 percent have got higher education. There are also 18 percent people who are illiterate and the remaining are literate<sup>4</sup>. The reason of choosing Biscuit industry as the employment source by labours as well as due to unavailability of the works in other fields. Among the total labours 33 percent labours before working in there Biscuit industries were engaged in other works but 58 percent of them had not any works. Similarly 69 percent labours family members are engaged in their employment sectors but 31 percent labours have not any family member employed in other sectors.

Among the labours 36 percent of them have saving but other 64 percent have not any saving among. 39 percent labours income is spent on household expenditure. 21

percent labours are spent on personal requirement and remaining labours amount is spent on other sectors. Regarding the problems of the labours 33 percent have higher workload, 27 percent have low income 18 percent face hard work and remaining face other problems. Among the total labours 58 percent are satisfied on their present work and other 42 percent are dissatisfied.

## **6.2 Conclusion**

Based on the outcomes of the study, the study is concluded as follows: Labours employed in the CSIs are selected from family related person and there is limited chance for free competition. It decreases of skilled manpower which ultimately is harmful for the entrepreneurs. But the labours are of highly matured age group. In the same time, female laboures are discriminated highly as comparison to males. Different labours have varied problems such as, low salary, discriminated salary and others. Most of the problems are created by entrepreneurs and will be solved easily if desired; the problems that the labours are facing should be solved.

Industries have been started through limited financial resources and most of the entrepreneurs have been taken loan from local money lenders which seem very conservative. It shows that in Dhankuta, the culture of bank or financial institutions are not developed properly. Government or other I/NGOs are not giving proper attention towards the CSIs of Dhankuta district. In spite of all these problems, entrepreneurs are almost increasing the investment. Higher percentage of entrepreneurs is investing their profit to promote the same industry. It shows that there are at least some incentives of profits. And a large number of industries are running with profit.

The local raw materials using in these CSIs which not only increases the chances of utilization of raw material but also promote the demand size. More than half industries earn more than Rs. 10,000 per month. Small and cottage industries of the study area are using existing modern technology. But, industries are suffering from limited market and skilled manpower. Price support facility is also the need of the CSIs of the study area.

CSIs using labours to sell their products, some are using self carrying method and remaining either by vehicle or by others. It seems very limited CSIs are using existing new selling approaches. A large number of entrepreneurs sell their products within the

District. Too low CSIs sell in the international market. Different CSIs are facing the seasonal problem and summer season is the most problem season. The demand condition seems to be satisfactory i.e. high demand.

### **6.3 Recommendations**

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

#### **6.3.1 To improve Employment Situation**

First of all process of selecting labour in small and cottage industries should be totally depending on free competition. The process of selection through family related person should be stopped. This will encourage the labours to work and this will help the entrepreneur to promote their business. Entrepreneurs should increase their quota for employment for many people in the village area and they will get job and they may certainly help to uplift the economic condition of CSIs as well as nation. It not only helps to promote economic condition but also social condition improves as well.

Many of the labour industries are employing laboures more than 8 hours per day to day work. But it will create laziness, boring and tidy feelings to the laborers. This will hamper in the production process of industries. To work more than 8 hours per day is also than international standards.

Most of the labourers are paid low salary by most of the industries. Labourers are also not given proper facilities. If management thinks towards the salary and facilities given to the works, labours will certainty also think about the industries where they are working. If labourers get high salary, it would certainly devote labourers to the job.

On the other hand, female labours are provided very low salary as compare to male. If they work for equal time and produce equal output, why the entrepreneurs are discriminating them? In this inclusive era, it is out of principle of equality and equity. Discrimination of female labourers is against the legal standard and they should be

provided equal facility for equal sacrifice. It will contribute to make a “Prosperous Nepal”.

### **6.3.2 To Improve Financial Situation**

Financial resource is one of the major inputs and indispensable component for any small and cottage industry the status of financial resource is found moderate. But it is still improvable. It seems that the entrepreneurs are hesitating to invest further more in the same industry. The profit of the industry is used either on unproductive sector or for other purpose.

Most of the industries are operating with the loan from local money lender. This shows that there is not properly developed financial institutions and its culture. So, financial cultures should be adopted. At the same time a large number of entrepreneurs are investing their profit either for household consumption or for other purpose. Entrepreneurs have to use it properly for promoting the same industry. It enlarges the capital in the one hand and on the other hand creates devotion of the entrepreneurs.

Any type of support either from governmental or from I/NGOs is very few provided in the study area. This shows that there is highly need of such supports such as, counseling, training, price support, market facility etc.

### **6.3.3 To Improve Production and Marketing Situation**

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

Most of the CSIs have the problem of capital, skilled manpower and limited market. It is found that most of the entrepreneurs are investing their saving in other sectors rather than their own industries can invest saving in the same business, the problem of capital will be minimized. If CSIs will run legally and smoothly in good condition, banks and financial institution will certainly help them. In case of lack of skill manpower, CSIs have to create opportunities to train the unskilled manpower. It will certainly make production far better and efficient.

## APPENDIX- I

### Problems and prospects of cottage and small industry

#### (A case study of Dhankuta municipality)

#### Questionnaires for Entrepreneurs

##### A) Entrepreneur's profile

Name:-

Age:-

Sex:-

Address:-

Name of Industry:-

Date of establishment:-

##### B) Distribution of labor employment

1. Employee pattern by sex

a) No of male worker [ ]                      b) No of female worker [ ]

2) Employee pattern by age

a) Less than 15 years [ ]                      b) 15-24 years [ ]

c) 25-34 years [ ]                                      d) 35-44 years [ ]

e) More than 45 years [ ]

3. Is the employed laborers are sufficient

a) Yes [ ]    b) No [ ]

4. If not, what is the reason of insufficient labor?

a) Lack of financial resource [ ] b) few laborers in the market [ ]

c) Others [ ]

5. How do you select the labor hired?

a) Free competition [ ]                              b) family related person [ ]

c) Experience [ ]                                      d) Other [ ]

6. Working hours per day?

a) 4-6 hours [ ]                                      b) 6-8 hours [ ]

c) 8-10 hours [ ]                                      d) More than 10 hours [ ]





## **D) Production**

1. What do you feel about physical condition of the factory?  
a) Dirty [ ]      b) Congested [ ]      c) Dark [ ]      D) Dusty [ ]
2. How much did you invest at first?  
a) Below 50 thousand [ ]      b) 50 thousand -1 lakhs [ ]      c) Above 1 lakhs [ ]
3. Have you got any training related to your industry?  
a) Yes [ ]      b) No [ ]
4. If yes, how much time?  
a) Less than 6 month [ ]      b) 6-12 months [ ]      c) More than 12 months [ ]
5. How is your investment going on?  
a) Increased [ ]      b) Constant [ ]      c) Decreased [ ]
6. Have you used modern technology?  
a) Yes [ ]      b) No [ ]
7. What is the main problem for production activities in your factory?  
a) Lack of capital [ ]      b) Lack of skilled manpower [ ]  
c) Traditional technology [ ]      d) Limited market [ ]  
e) Transportation [ ]      f) Both a and d [ ]
8. Have you getting the raw materials properly?  
a) Yes [ ]      b) No [ ]
9. How do you get the raw materials?  
a) Local source [ ]      b) Imported source [ ]      c) Both [ ]
10. In your opinion, what are the remedies to solve the problem?  
a) Loan facility [ ]      b) Price support [ ]      c) Training [ ]  
d) Counseling [ ]      e) Market facility [ ]      f) Others [ ]

## **E) Marketing**

1. Where do you sell your products?  
a) Businessman [ ]      b) With in the municipality [ ]  
c) Within district [ ]      d) Out of district [ ]
2. What is the demand condition for your products in the market?  
a) High [ ]      b) Moderate [ ]      c) Low [ ]

3. If high, why?

a) Lower cost [ ] b) High quality [ ] c) Others [ ]

4. If low, why?

a) Higher cost [ ] b) Low quality [ ] c) Others [ ]

5. Is your business affected by seasons?

a) Yes [ ] b) No [ ]

**F) General Information of Worker**

1) Name: ..... Cast: ..... Age: .....

2. Marital Status: .....

3. Education:

a) Illiterate [ ] b) Literate [ ] c) Primary [ ]

d) Secondary [ ] e) Higher Secondary [ ]

4) How did you select the biscuit factory?

a) Experience [ ] b) simple Work [ ] c) Not get other job [ ] d) other [ ]

5) Where you involved in other job before joining this factory?

a) Yes [ ] b) No [ ]

6) In which field do you expend your income?

a) Household consumption [ ] b) entertainment [ ]

c) Self consumption [ ] d) Other [ ]

7) Do you save your income?

a) Yes [ ] b) No [ ]

8) What problem are you facing being in this factory?

a) Low salary [ ] b) Long work time [ ] c) Hard work [ ] d) Other [ ]

9) Are you satisfied with your job?

a) Yes [ ] b) No [ ]

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