

## **Small and Cottage Industries**

Small Scale Industries are industries in which the investment limit is up to a certain limit which was 1 crore initially 1 crore and now has been increased to 5 crores.

Cottage Industries are usually very small and are established in cottages or dwelling places.

In Small scale industry outside labour is used whereas in cottage industries family labour is used. SSI uses both modern and traditional techniques. Cottage industries depend on traditional techniques of production.

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes

1. **Manufacturing Enterprises:** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries Development and Regulation Act, 1951. The Manufacturing Enterprise is defined in terms of investment in Plant & Machinery.
2. **Service Enterprises:** The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment:

## **Role of Small and cottage industries**

### **1. Employment opportunities**

Cottage and small industries provide employment to every sort to skilled people (skilled, semi-skilled and unskilled). It provides alternative job opportunities.

### **2. Utilization of local resources**

Cottage and small scale industries are established in rural area by some local people. So, this type of industry uses the local resource available in that area.

### **3. Source of foreign currency**

Cottage and small scale industry produce handicrafts, painting etc which attracts tourist. About 37% of total export is enveloped by the product of these industries. So, it is the source of foreign currency.

#### 4. Government revenue

Since, 37% of total export is enveloped by cottage and small scale industries, government can even revenue through scales tax, income tax, export tax, vat etc. So, there is the ultimate increase in Government revenue.

#### 5. Living standard

Cottage and small scale industries are simple and are operated with limited capital but also increases/upgrades living standard people can earn sufficient amount to sustain their life and fulfillment of their needs.

### **Problems of Cottage and Small-Scale Industries**

The major problems faced by the cottage and small-scale industries are stated below:

- Non-availability of timely and adequate credit.
- Inefficient management
- Lack of infrastructure
- Technological obsolescence
- Limited availability of raw materials
- Marketing problems
- Competition with large-scale industries and imports.
- Excessive burden of local taxes
- Widespread sickness