



MARKETING PRACTICES IN SMALL BUSINESSES: CONCENTRATION ON COTTAGE INDUSTRY WITH SPECIAL REFERENE TO CHANNAPATTANA

Dr. Vasanth Kiran*

Deepak Jose*

Abstract: *SME sector is considered to be an engine growth for the India due to its contribution in income generation, GDP growth, and export of the products, which is very helpful in inclusive and sustainable growth of India. Small scale and cottage industry differs from large scales industry in terms of products, price, distribution and marketing of the product. The popularity of small scales and cottage industry is growing at a very high pace in India even through the current economic downturn. The opportunity to develop in this field is very high compared to large scale and has humongous opportunity to grow bigger and better in the future. This paper would look into the aspects of cottage industry's contribution towards growth and employment resulting in economic development in India. The objective of the study is to understand, how to market small scales and cottage industry's products in India. In this field, while technological knowledge is a need, the skills are must, which is designed to remove the poverty and backwardness of the rural people. It is very important for the government to take a big decision to provide financial support for SME. In this paper, the focus is on understanding marketing practices of the products from these industries and how they build their brand with the compared to large scale industry.*

Keywords: *SME, Cottage Industry, Marketing, Branding, Employment, Growth.*

*Asst. Professor, Alliance University



1. INTRODUCTION

In the context of development of a nation then the most important thing is to contribute in development of industrialization, which is very large area to develop the existing product and new product in the market with the help of branding technique. The small scale and cottage industry has a very big role in development of Indian industry and Indian economy. Small scale industry generally use power driven machine and also apply modern methods of production, engage labour on wage produce for expanded market, wherever cottage industry gives the new way in the context of employment for poor people and growth of the small scale industry. Such industries can be managed with little resources and in terms of result provide much better results.

Here, we will study the position of small scale and cottage industry within the national economy of particular country. According to Kyzimin (1965) "there is a need to categorize small-scale industry on the basis of its role in the process of reproduction of industrial capital as a whole". From this point of view small scale industries may be broadly classified into cottage industry and modern cottage industry. For this classification, it is important to add a third classification "intermediate between the traditional and the modern" as suggested by Dhar and Lydall (1961). However it does not follow the classification of small scale industries into traditional, intermediate and modern small scale essentially has the same meaning as that of Dhar and Lydall. They emphasize the method of production and kinds of products.

In cottage industry, we have to focus more on branding of the products because branding is very helpful in growth of the cottage industry. The growth of cottage industry would be helpful to remove poverty, unemployment and the backwardness of the rural people. In this paper we will discuss about the wooden products which is made by artesian at Channapatna in Bangalore. Every entrepreneur will have to focus in this field to represent the best in terms of industry, product, quality and price. This idea would be very helpful for the rural areas as well as urban and semi urban areas. It is organized by individual with private resource with the help of family members as a part or full time occupation. Cottage industry has also been given an important place in India's economic planning for ideological and economic reasons. The industrial improvement in backward area can only be achieved by rapid development and promotion of cottage industry.



2. REVIEW OF LITERATURE

In the early literature on economic growth and development, industrialization as a source of employment and capital accumulation has been recognized by various economists Verma (2006). Now a day's people do not want to remain in the traditional sector and are very much keen to find out an alternative occupation to support the growing needs of their expanding family members. From the economic perspective, the secondary and tertiary sectors are yet not developed to absorb all willing work force at once, and shifting people from primary sectors result in unemployment and the under employment in the economy. As a result of poverty and lack of technical knowledge, the unskilled people in rural area cannot move from traditional sector to a new sector. This in turn results in heavy pressure on agriculture, which gives rise to disguised unemployment in the economy.

There are full debate on merit and demerit of cottage industry since last couple of decades. In which we will describe the relationship between and the birth rate with the intension of drawing whatever pertinent lessons there may be for problems of the economic development. Cottage industry is a sector which compiled all the gamut of economic activities except agriculture. The manufacturing goods are the consumer goods which are used in family itself. Generally we cannot consider that it is a cottage industry. This industry maintains the traditional goods and culture. There is certain product which has always been produced in India as well as foreign country. Now these industries are using the power driven machinery (Jaffe, et. al, 1960). For the first time, Keynes (1936) has focused his attention on the forces that determine employment policy followed in industrialization. He propounded the theory that entrepreneurs will offer the amount of employment which maximizes their output and profit. Here he stressed the productivity of labour as the determining factor of the level of employment. There is a positive relationship among productivity of labour, output and employment. According to Keynes "employment can only increase pari-pasu withan increase in investment".

A study of United Nations Industrial Development Organization (UNIDO,1969) based on evidence from a number of developing countries, indicates that "small enterprises with a lowerlevel of investment per worker tend to achieve a higher productivityof capital than do the larger, more capital intensive enterprises". The cottage industry would be playing a vital role in future. Its future is hidden by its virtual unavailability in the market since last couple



of decades. If we look at the scope and the success of the industry then it is not too far. It has everything present in its own hand, the only thing is required to channelize these resources effectively.

If we consider on fact then the size of traditional industries is generally small in scale compared to modern industry. The second most important thing is, the greater part of them usually belongs to the food and textiles group and the process of roundabout production is unnecessary in these industries. Then there is no probability of an error to say that the composition feature of Indian industries pointed out above indicates the widespread existence of traditional industries (Publication Division, Ministry of Information and Broadcasting, 1966). Again the unregistered establishment that are cited by the national sample survey as the most important within the household small scale manufacture (Cabinet Secretariat, Government of India, May-November 1955) are all recognized as either traditional or intermediate, as are the major activities of the household engaged in only in household industry as cited in the 1962 census (The Government of India, *Census of India*, 1964). Consecutively, the majority of major small-scale industries may be categorized as either traditional or intermediate.

3. IMPORTANCE OF COTTAGE INDUSTRY

It is a kind of specialized form of small scale industry where the production of commodity takes place in the surroundings of homes and the workers, the so called labors are supplied by the family members only. In general the machineries commonly used at homes, are utilized for the production of commodities. Basically it is a home-made product unorganized and produced at home by the tradition of generation. In the atmosphere of prevailing unemployment, people have no alternative but to go for home made small scale industries for the survival of livelihood. Thus a huge section of labor of large population is absorbed to stabilize the rural economy. Employment generation through cottage industry production is too high in Bangladesh and it is also applicable to India (Islam, et al, 1986).

Cottage Industry preserves an enormous potential for employment generation. The person who is being employed feel proud of himself as he is basically regarded as a self-employed one. Cottage Industry has given economic independence to the women of India. India is a country of huge population. Most of the people are living in the villages. Cottage Industries



support a large section of the population living in rural India. There is still too much scope in this sector to get employment.

A small-scale and cottage industry may accordingly be defined to be an enterprise or series of operations carried by a workman skilled in the craft of his own responsibility, the finished product of which he market himself are very important for cottage industry in India. He works in his own home. The workers work by hand and give the productive output to cottage industry. It is very important for this industry to be continued. They also use the modern power machinery and provide the products with high quality (Shah, 1947).

It is the traditional business of rural India that supports the rural economy. Big cities with big industries only support sections of educated and skilled technicians. Indigenous goods reflect the cultural heritage of India. The product of good quality can fairly compete with the foreign goods. Manufacturing of quality products involves those traditional artisans and craftsman who have inherited the art of work from their previous generations. Goods like dress fabrics such as Khadi, leather, silk, cotton, wool, muslin, etc, and others like ornaments, statues, idols, stones, gems, etc besides edible items like spices, oils, honey etc have a huge demand in India and in foreign markets as well. Since ancient times in India, indigenous products have been attracting foreign traders and merchants and that helped India in establishing trade relations with the Greek, Chinese and Arab merchants.

4. GROWTH OF SMALL SCALE AND COTTAGE INDUSTRY IN INDIA

The Small Scale Industries (SSI) sector significantly contributes to the manufacturing output, employment and export for the company. It is estimated that in terms of value, the sector accounts for about 45 percent of the manufacturing output and 40 percent of the total exports of the country. The sector is estimated to employ about 55 million persons in over 26 million throughout the country. The production of SSI units in India was Rs. 84,413 crore in 1992-93, which increased and reached up to Rs. 982,919 crore in 2009-10. The production of SSI units shows continually raising trend during the study period.

The production of Small Scale Industries increased with an annual average growth rate of 15.15 percent during 1992-93 to 2009-10. The production of SSI shows highest growth rate of 42.49 per cent growth in 2006-07. The total employment from SSI sector in the country as per the third All India Census of SSIs conducted with the reference year of 2001-02 was 249.33 lakh numbers. As per the estimates compiled for the year 2005-06 the employment



was 294.91 lakh persons in SSI sector. Direct exports from the SSI Sector account for nearly 35 percent of total exports. Besides direct exports, it is estimated that small-scale industrial units contribute around 15 percent to exports indirectly.

According to the Village and Small scale Industries Committee Report (1955), (popularly known as Karve Committee Report), since a substantial number of employed and underemployed belongs to the village and small industries group, setting up of small scale and village industries will provide employment to them in occupations in which they have been traditionally trained and for which they possess equipments. The committee realizes the necessity of introducing better techniques in the village industry, so that they can keep pace with the continuous expanding economy and do not become unsuitable tomorrow.

4.1 Contribution of (SSI) units in GDP

The contribution of the small scale industries in GDP has been almost same since 1999–2000 to 2003–04. The total SSI production has also been very similar from 1999–2000 onwards till 2003–2004.

TABLE No. 1: Contribution of SSI units in GDP

Year	Total Industrial Production	Gross Domestic Product (GDP)
2000-2001	39.71	6.04
2001-2002	39.12	5.77
2002-2003	38.89	5.91
2003-2004	38.74	5.79
2004-2005	38.62	5.84
2005-2006	38.56	5.83
2006-2007	45.62	7.20
2007-2008	45.24	8.00
2008-2009	44.86	8.72

Source: (MSME) Annual Report 2010-11

TABLE No. 2 Employment Growth in SSI Sector

Year	Employment (lakh person)	Growth Rate
2000-01	238.73	4.21
2001-02	249.33	4.44
2002-03	260.21	4.36
2003-04	271.42	4.31
2004-05	282.57	4.11
2005-06	294.91	4.37
2006-07	594.61	101.62



2007-08	626.34	5.34
2008-09	659.35	5.35
2009-10	695.38	5.47

Source: S&D Division – Office of the DC (MSME) Annual Report 2010-11

4.2 LATEST DEVELOPMENTS IN COTTAGE INDUSTRY

4.2.1. Indian Cottage industries provide opportunity for the development of handicrafts in the country. In places like Channapatna hand- made toys is the main occupation for the people.

4.2.2. The LEPAKSHI sarees are famous and dyeing is famous in the industry. In many villages match boxes are made all around the country. Carpets are also are part of cottage industries.

4.2.3. With the arriving of the British cottage industries in our country suffered a setback. Industrial revolution brought about a craze for goods made on machines. People depending on cottage industries lost their livelihood. After independence cottage industries are again encouraged. Government now provides the needed financial assistance to this industry. Product of cottages industries are sold through special counters like the LEPAKSHI stalls.

5. PROBLEMS AND PROSPECTS OF COTTAGE INDUSTRY IN INDIA

A decade ago, Robert Sampson and colleagues (Sampson et al, 2002) wryly observed that “the study of neighborhood effects, for better or worse, has become something of a cottage industry in the social sciences.” During the three decades of planned development there has been an impressive development of large scale industries, but India still remains predominantly a country of village and small industries. Cottage and small scale industries are scattered over the whole country and they cover a wide range of traditional and modern small scale industries including handloom, khadi, power loom, sericulture, coir, handicrafts etc.

Small scale and cottage industries have a great capacity to generate a large volume of employment. In India, capital is scarce, but cheap labour is abundantly available. Unemployment, underemployment and seasonal unemployment are rampant on a large scale. The employment capacity of small industries being at least eight times that of the large industries, they can substantially help in solving this problem.

After some time the small scale and cottage industry declined from its path and objective. The decline of these industries began in the third decade of the 19th century.



5.1.The main causes of decline

5.1.1.The industrial revolution in England and competition with mill-made goods

5.1.2.Alien rule and restrictive measures on the import of Indian goods into England

5.1.3.Disappearance of the demand of the products of cottage industries by Kings and Nawabs as their courts came to an end,

5.1.4.No liking for indigenous products by the newly-rising educated class

5.1.5.Deterioration in the quality of Indian products themselves.

Cottage and small scale industries are most suited in Indian conditions. Rightly, therefore, they have occupied a dominant place in Indian economy. About two crore persons are engaged in these industries. Their output was worth about Rs. 15,000 crore. Apart from the quantitative growth, there has also been a significant increase in the variety of products manufactured by these units. They have ventured into many new and sophisticated fields of production like TV sets.

5.2.Problem faced by Small-Scale and cottage industries at present

5.2.1.Problem of Raw-material - Due to their limited resources, the owners of these industries cannot afford to purchase raw-material in bulk. That is why they get low quality materials at high rates.

5.2.2.Problem of finance - Cheap and easy finance is not available to these industries. The financing system of government institutions and banks is such that these industries have to complete many formalities and there are so many complications which can be followed by these less educated entrepreneurs.

5.2.3. Marketing problems -These industries mainly exist in villages and due to lack of transport and communication facilities they are handicapped in finding suitable markets for their products,

5.2.4.Lack of Managerial Talent Cottage and small scale industries are mostly run by the micro businessmen having no training of management and organization. How these industries, therefore, can stand before the large scale industries which are managed and organized by the specialists of that field?

5.2.5.Competition with large-scale industries- the main problem before these industries is that they are unable to compete with large-scale industries. The economies of large-scale



production are not available to them and therefore they fail to compete with large-scale industries.

5.2.6.The large industries utilize all sorts of cost effective technologies by impression of which the cost of production remain at lower rate. On the other hand, the Cottage Industry is fundamentally labor intensive and utilizes traditional techniques in the manufacturing process which are not cost effective at all and that makes the production at higher cost.

6. SWOT ANALYSIS OF COTTAGE INDUSTRY

Strengths	Weakness
<ul style="list-style-type: none"> ▪ Contribution to national economic growth ▪ Generating employment and vitalizing Indian brand to the world ▪ Regional development ▪ Technological Innovation ▪ Export market expansion 	<ul style="list-style-type: none"> ▪ Lack of funds ▪ Lack of marketing skills ▪ Lack of information ▪ Poor adaptability to changing trade trends ▪ Non-availability of technically trained human resources ▪ Lack of management skills ▪ Lack of access to technological information and consultancy services

Opportunity	Threats
<ul style="list-style-type: none"> ▪ World Trade Organization regime ▪ Bilateral and multilateral trade agreements ▪ Enhanced credit support ▪ Support for technological up - gradation ▪ Marketing assistance and export promotion sport to growing domestic and international market 	<ul style="list-style-type: none"> ▪ Dumping from developed countries ▪ Distrust between cottage industry and financial institution ▪ Poor incentive structures for entrepreneurs ▪ Virtual absence of enterprise education ▪ Non-tariff barriers from developed countries ▪ Slow improvement in quality to meet the international standards

7. GOVERNMENT CONTRIBUTION IN COTTAGE INDUSTRY

7.1.The Union Government has set up a number of agencies to help the village and small industries.

7.2.Credit facilities are made available to these industries through a number of institutions. Small scale sector is included the priority sector for the supply of institutional credit.



7.3.Industrial estates and rural industrial projects have been set up and industrial co-operatives have been organized.

7.4.To encourage the small scale sector, the Central Government has reserved 807 items for exclusive production in the sector.

7.5.The District Industries Centers are being established at the district level to provide on a single platform, all the services and support required by small and village entrepreneurs.

The Industrial Policy Resolution, 1980 has this following provision for the development of cottage and small scale industries.

7.6.Introducing a scheme for building up of buffer stocks of essential materials which are often difficult to obtain. Special needs of states which rely heavily on a few essential raw materials will receive priority.

7.7.To generate as many cottage and small industries units as possible, the government will set up a few nucleus plants in each district. A nucleus plant would concentrate on assembling the products of the cottage and small scale units falling within its orbit.

7.8.Enhancing the limit of capital investment for small scale and cottage industries.

8. MARKETING

Marketing is often mentioned as leading constraint on the development of the cottage industry. Marketing of the cottage industry products are very important. This is the only way to create a brand image in the competitive market. There are various approaches to do marketing of this industries product. Foremost, there is need of an entrepreneur to take initiative in this industry. They should target all metro cities especially in Bangalore where this product has huge demand. The main problem is, the most of the employees are not educated that is why they are unable to create a new idea which gives the value to the customer. If there is educated skilled workforce then we can come out with the right solution. Cottage industry product has a very good scope in corporate gifting and various new designed products. As we know Bangalore is a place which has thousands of companies in an around Bangalore city. These companies have huge demands of this handicrafts product but the people are not going to approach them to attract for handicraft products. There is needed to take a right step in marketing of the handicraft products, for that there should also be government support because they do not have that much amount of capital. Bangladesh Small and Cottage Industries Corporation (BSCIC) is a prime government



organization entrusted for rapid industrialization of small and cottage Industries in the country. Under the direct or indirect initiative of BSCIC a plenty of entrepreneurs has been created and enterprises has been set up in the country. But the influence of globalization and the free economy impacts upon the traditional manufacturing enterprises. This situation for marketing of small and cottage industries products is a major constraints facing by the sector. The marketing division is to provide facilities to the existing and new entrepreneurs to expand and develop their markets and to stay and sustain in the competitive environment.

9. COTTAGE INDUSTRIES AT CHANNAPATNA

Cottage industry is a livelihood development initiative involved in developing a network of artisans, workers and small entrepreneurs, who has capability of producing world class lacware wooden products. In addition to supporting artisans in same orders, the initiative has also been training several new artisans, particularly women into the handicraft product so they can provide with an infusion of fresh skills, designs and markets. The industry at Channapatna is a livelihood development initiative that supports youth and artisans to build viable micro entrepreneurial alternatives through its product development, marketing and skill enhancement initiatives. Building capabilities is not only becomes essential but is perhaps the most sustainable and effective way to alleviate poverty.

9.1. The products are marked by the following features

- Compliance to international safety standards
- Designs marked by contemporary and classic influences
- Handcrafted with natural material
- Eco-friendly products
- Globally accepted

The industry has developed a variety of toys, educational aids and home accessories made out of wood by artisans based out of the traditional handicraft cluster at Channapatna. The industry designs are made keeping in mind not only existing skills of workers but also current and emerging market needs, to cater to the interests of the end consumer. Children's products, for instance, are designed with an eye for ensuring safety. They also tasted their products in laboratory so that they can prove that the product is eco-friendly.



The company seeks to provide a unique platform for designers not only to explore, innovate and evolve new ideas but also see the explore of these ideas in partnership with large base of vendors, facilitated by the company. Identifying, designing and sample making stage as a core area for quality products, the company identify possible areas for further improvement, through trial production and test marketing. The biggest problem of this industry is lack of investment. They want to expand it but they are unable to afford that amount of money. They need to get help from government so that they could expand their business. It will be very essential to India's economic development. Government should also take a big step in this field so that people get involve with more enthusiastic and with new trend in the market. There are various problems existing in cottage industry like resource problem, labour problem and creativity is also an issue for lot of people who are working in this sector. Secondary, local people do not buy these products. They are lacking their interest in this sector day by day. For this movement, there is need of government support to take right step for these people so that a new trend could be generate and the people get more interested to do business in this sector. The other problem is pricing issue. If they are providing good quality of products then they cannot provide in cheaper price but Indians are much more conscious about price. That is the reason they are exporting their products to foreign countries, so that they can get good profit. They see more profit because their livelihood completely based on this industry and they do not have other source to earn money. Particularly in Channapatna the main problem is man power. People are not giving their effort to do job in this field because they get less salary. They use to go out of Channapatna so that they can earn good money.

10. IMPLICATION AND CONCLUSION

Majority of India's population are living in rural area. Cottage Industries support a larger part of the rural population of India acting as one of the major sources of Indian economy, and are responsible for having hugely preserved the cultural heritage of India. Not only do they help this country in maintaining a distinct identity of its own but also provide it with a unique platform to display its specialty whenever a tough competition is faced in the international markets. That is the only time when the indigenous goods can fairly compete with the foreign goods due to the impression of Indian culture that makes them unique.



After the independence of India in 1947, there was a much-needed change that was introduced in the country for the improvement of the economic condition of India and as a consequence of which, the cottage industries were neglected again. Although, later, they became an integral part of India's five-year plans and more so after the implementation of the second Five-year plan. Finally for long term growth of this sector it must be emphasized improvements in technology and product design.

Almost every state in India has its own set of cottage industries whose art and craft items depict the traditional art form and the culture of that region. One of the fastest budding economies of the world, China, offers a very tough competition to all the markets in all over the world because of which, many times, the items of the cottage industries of India do not find any buyers even in their own soil. Many times, even the people of India refrain from buying their products either because of their high prices or because of availability of better quality goods elsewhere. In such a situation, the loss of these SSIs becomes inevitable, but now the time has come to cottage industry product. Indian people are getting a good education. They understand how the Chinese products are different from cottage industries products. Slowly, they are moving to cottage industry products. At this time cottage industry needs to show its value on high scale in terms of product differentiation and expand its market in domestic as well as international. It would be very helpful to Indian economy as well as GDP, growth, employment, rural development and to alleviate poverty from our country.

REFERENCE

1. Cabinet Secretariat, (1955), *"Small-Scale manufacture: Rural and Urban"*, Government of India, The National Sample Survey, May-November 1955, Number 21, Delhi, p.9.
2. Dhar, P. N. & Lydall, H. F. (1961), *"The Role of Small Enterprises in Indian Economic Development"*, Bombay, Asia Publishing House, pp. 1-2.
3. *Traditional industries*, Ministry of Information and Broadcasting, Government of India, Publication Division, India 1966, p. 158, Table 66.
4. Islam, R. & Muqtada, M. (1986), *"Selected Issues in Employment and Development, International Labor Organization"*, Pp 119-150.



5. Jaffe, A. J. (1960), *Economic Development and Cultural Change*, Vol. no.9, No. 1, Oct, 1960.
6. Keynes, J. M. (1936), *"The General Theory of Employment, Interest and Money"*, Harcourt Brace & Co, New York.
7. Kyzomin, C. A. (1965), *"Developing Countries, Employment and Capital Investments"*, Moscow, 1965, pp. 23-27.
8. Sampson, R., Morenoff, J. D., & Gannon-Rowley, T. (2002) "Assessing 'neighborhood effects': social processes and new directions", *Annual Review of Sociology*, 28: 443-478.
9. Shah,(1947) ed., *"Rural and Cottage Industries"*, National Planning Committee Series, Bombay, Vora& Co., pp. 24-25
10. Report of the Village and Small Scale Industries (Second Five Year Plan) Committee, (1955), *"The Karve Committee Report"*, Government of India.
11. The Government of India, (1964),*"Census of India"*, Vol. 1, Part 3 (1), Household Economic Tables, Delhi, 1964, pp. 27-31.Table B-XIV.
12. UNIDO (1969), *"Small Scale Industry in Latin America"*, Publication no. 11B.p.37
13. Verma, P(2006),*"Practical Approach to Research Methodology"*, Akansha Publishing House, New Delhi, p.230.