

# Analysis of Cottage Industry in Bangladesh: A case study on Khadi

Md. Mosharraf Hossain & Sheikh Mohammed Imran

## Abstract

Bangladesh is one of the developing countries in the world. Overwhelming property, unemployment, illiteracy, abundant unskilled cheap labor force etc. are the common features of Bangladesh. In this connection Khadi product plays an important role to overcoming the problems by exporting. If the producers fulfill the objectives of Khadi to meet the customer satisfaction by creating new and modern product of Khadi, it can be a leading organization in terms of cottage industry. Many times it is said that cottage industries are inevitable backward and lagging part of the economy. But economic analysis and practical experience in many countries show that the cottage industries have displayed remarkable persistence and have contributed significantly to the economic development of the country. The commonly perceived merits often emphasized for further promotion especially in the developing country like Bangladesh include their relatively high labor intensity, dependence on indigenous skills and technology contribution entrepreneurship development and innovations of growth of industrial linkage. The case for fostering cottage industry growth in Bangladesh is irrefutable as these industries offer bright prospects for creating large scale employment and income earning opportunity at relatively low cost for unemployment especially rural areas strengthens the efforts towards achieving high and sustainable economic growth.



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## About Author

**Md. Mosharraf Hossain**(Corresponding Author), Department of Business Administration, Port City International University, Chattogram, Bangladesh.

**Sheikh Mohammed Imran**, Department of Business Administration, Port City International University, Chattogram, Bangladesh.

## Introduction

The existence of cottage industries can be traced back to 15th century but it became prominent in the 17th and 18th centuries. Initially it served a way for entrepreneurs to bypass the guild system which was thought to be cumbersome and inflexible. Cottage Industry is a specialized form of small scale industry where the production of the commodity takes place in the homes and the labor is supplied by the family members only. The machineries or means utilized for the production of the commodities generally are the common ones used at homes. The basic characteristic feature of Cottage Industry is that it is basically unorganized in nature and come under the group of small scale industry type. The commodities that are being produced by these industries are basically consumable ones and are produced through the utilization of the traditional techniques. Cottage Industry especially started its function in the country sides of a country where unemployment along with under-employment are prevalent. Thus, this industry helps the economy by absorbing a huge amount of surplus labor of the rural economy. The cottage industry is the ancient, the biggest and the most important industry of Bangladesh. This industry has lots of future prospects as well as glorious past. This sector is responsible for a very high percentage of the nation's economy, as cottage industry is the biggest handicraft industry in our country. This sector contributes 24% in the total clothes production of Bangladesh. This sector provides employment to more than 18 million people. This sector has a great potentiality to meet substantial requirements of fabrics in the export oriented garment industry. But this prospective industry now faces threat of extinction because of various tribulations and barriers.

## Review of the related literature

Many researchers have conducted research works on different aspects regarding evolution of cottage industry and give some recommendation for development these sectors. Several significant experimental study findings have been taken into consideration. Kasemi, N. (2014) stated that the market of the handicraft products is mainly local and partly extended to urban areas. Besides, middlemen play a powerful role in marketing these indigenous products. They usually place order with the artisan and collect materials at less than the market price. The competition from the substitutes like plastic items is a major problem for its development. Tasneem, S. and Biswas, R. (2014) focused on the contribution of each handicraft sector to the economic development of Bangladesh. The researcher recommended that the development of cottage industry so that this industry can thrive and contribute more to the economic development of Bangladesh. Khursida & Begum (1992), from a survey of women involved in business and women interested in business (potential entrepreneurs), identified 31 trades and businesses that are attractive to female entrepreneurs: plant nurseries, the stock market, boutiques, beauty parlours, advertising and films, tailoring, flower plantations, handicrafts, costume design, food processing, printing, day farming, flower clubs, shop-keeping, import, plastics, sewing and cooking training centres, knitting, video centres, and dish antenna assembly. A study (Khandoker 1998) regarding financing to small-scale and cottage Industries in Bangladesh reveals that in many cases credit is obtained from suppliers in the form of raw materials or from the buyers of the firm's output. The study demonstrated that about 70 per cent of the start-up cost in respect of small grocery stores was financed from the owner's savings and sales of other assets. Friends and relatives provided loans to the extent of 20 per cent on average, and the supplier's credit financed about 10 per cent of the start-up cost. Bangladesh Agricultural University Extension Centre (BAUEC) have to motivate, educate and help farmers to make all-round development by their local and own resources through

six development components such as crop development, livestock development, fish development, adult education, health and family planning and cottage industries. (BAUEC, 2001).

Although promotion of Small and Medium Enterprise (SME) development has been a stated objective of successive governments ever since Pakistan days; the broad macro policy regime has continued to remain biased against SME development in many ways. Allocation of public sector investments, trade policies and taxation policies in particular has mostly been anti-SME development in character and contents (ADB, 2002). Liton, M., Islam, T., and Saha, S. (2016) the study found that in Bangladesh there are about 183512 handlooms weaving units with about 505556 looms. The total operational looms are 311851, which are 61.7 percent of total looms, and the rest 193705 looms are non-operational. The researchers found some reasons for shutting down of looms: lack of capital, lack of raw materials, inadequate technology, poor marketing system, inadequate government support etc. So, government should take necessary steps to overcome these challenges for the development of the handloom industry. It was thought that an extensive review of various empirical studies on problems and prospects of handicrafts cottage industries. Several research works have been done on various aspects of handicrafts and Problems and Cottage industry by the renowned researchers but no comprehensive study has been conducted due to changes in time, technology, and environment. In this context present study has been undertaken.

### Objectives of the study

The Broad objective of this study is to analyze of cottage industry in Bangladesh: A case study on Khadi. There are some Specific objectives of this research such as: to get an overview about the role of Khadi and cottage industry on the economic development of Bangladesh; to find out the prospects of cottage industry in Bangladesh; to explore the problems regarding Khadi as a cottage industry in several district in Bangladesh.

### Materials and Methods

This is a descriptive study. Sources of data of this study is to conduct the both primary and secondary sources of data are used. This paper is used tools of data collection of a semi structured interview scheduled was prepared keeping objectives in mind. The instrument was prepared after the preliminary observation conducted on the 03 small scale industries at Debiddar, Chandina and Cumilla. Universe and Sampling are applied in the present study focuses on the Khuddar Bandar, Debiddar, Chandina, Cumilla. The industries are selected in the outskirts and towns of the Debiddar, Chandina and Cumilla. For the present study by following the convenience sampling method 03 cottage industries were selected. Method of data collection of this study is Interview method was followed for collecting the Data from the workers and main supervisors of the small-scale units. Simultaneously observation method was adopted for gathering information about the plant and premises. Some books. Periodicals journals were also reviewed for secondary data collection.

### Analysis and Findings

#### Present Situation of Khadi and cottage industry in Bangladesh

Khadi made its debut in Dhaka sometime in the beginning of 1973. It arrived in the markets of Malibagh and Science Laboratory and the inhabitants of the capital were reintroduced to the material. It received a passable attention as a budget fabric and was a futile attempt to stimulate the patriotic zeal associated with it. Khadi as Dhaka Muslin could now only be

reminiscent in the chapters of history. As late as the 1940's through the drives of the independence movement of India, considerable progress was made to revive khadi. It is regrettable that today we can no longer find the masterly expertise in the weaves of Bangladeshi khadi. The devious producers are using waste mill yarns to weave khadi. It is clearly unethical to label the product as khadi. Bangladeshi designers and retailers alike have failed to restore and resurrect khadi production. We could not hoist khadi as the main sail of our rooted textile tradition rather it was knocked down to the ground and stumped to death. This universal craft can easily be a way forward towards our self-reliance again, but then why did the popularity of khadi get diminished after our independence? May be if we had tried to evaluate the requirements of ever changing demands of the market or expedite technology to develop fine products it may have seen new light. It is important for us to invest in design development for the heritage weaves or teach our next generation about the legacy of our finest traditions as khadi has arrived and it is here to stay. The Contribution of manufacturing industry to the GDP is 6.33 in the 2013-14 fiscal years. The growth rate is 6.33 but the fiscal year 2016-17 is 9.82 percentages in the small and cottage industry sectors. The growth rate of small and cottage industry is growing.

Types of industry	2013-	2014-15	2015-16	2016-17
Small and cottage industry	6.33	8.54	9.06	9.82

## 2. Prospect of Cottage Industry:

### 2.1 Employment Opportunities

There're around 1.25 lakh small and 8 lakh cottage industries in the country which have created employment opportunities for 38 lakh people.

### 2.2 Contribution to Sustainable Development Goal (SDG)

Deciding the status of cottage and micro as well as small and medium enterprises could have given the best result for reducing inequality and addressing the Sustainable Development Goal (SDG) targets.

### 2.3 Healthy wage rate for labor force

Another prospect is the good amount of wages. The labors can fulfill their basic needs by the good amount of money they get from their superior. Retailer gets enough support from the producer.

### 2.4 Logistic support provided by the Government

The Government provides favorable supports to the retailers and can take necessary steps for the improvement of this sector.

### 2.5 Financial condition of retailer is good

The financial ability of the retailers is good. They invest large capital. As a result they can produce greater amount of products in the country.

For the above reasons the sector of Cottage is in strong position. The sector has increases their past glory because the workers & labors get sufficient money they have needed. As a result they are increases side by side their family business to another profitable business. Now the sector is on a strong position.

### **3. Problems of Cottage Industries**

The Khadi industries, despite their importance for the economy, are not contributing to their full towards the development of the country. It is because these industries are beset with a numbers of problems in regard to their operations. These problems are discussed below:

#### **3.1 Inadequate Finance**

A serious problem of these industries is in respect of credit, both for long-time and short-term purposes. This is evident from the fact that the supply of credit has not been commensurate with their needs associated with fixed and working capital. Very often the credit has not been timely. Its delayed availability has been a major factor in causing much of industrial sickness in this sector.

#### **3.2 Difficulties of Marketing**

The Khadi and Cottage industries also face the acute problem marketing their products. The problems arises from such factors as small scale of production, lack of standardization of products, inadequate market knowledge, completion from technically more efficient units, deficient demand etc. Apart from the inadequacy of marketing facilities, the cost promoting and selling their products is too high.

#### **3.3 Shortage of Raw-materials**

There is also the problem of raw materials which continues to plague these industries. Raw materials are available neither in sufficient quality, nor of requisite quality nor at reasonable prices.

#### **3.4 Low-level Technology**

The method of production which the small and tiny enterprises use, are old and inefficient. The result is low productivity, poor quality of products and high costs. The producers for lack of information know very little about modern technologies and training opportunities which concerns them.

#### **3.5 Competition with Large Industries**

Another serious problem which these industries face is that of competition with large industries. Large industries uses the latest technologies with access to many facilities in the country can easily out-priced and out-sell the small products. With the liberalization of the economy in recent years, this problem has become all the more serious.

#### **3.6 Retailers do not get enough support from the government**

The Government does not produce favorable supports to the retailers and cannot take necessary steps for the improvement of this sector.

### **4. Findings of the Study**

Khadi and Cottage industries provide economic opportunities for the poor or the middle-income section of people through employment and income generation schemes all over the world, and especially in low income and technologically underdeveloped countries such as Bangladesh; Khadi and Cottage industries are a way for people in economically depressed and/or rural areas to make a living from self-employment that doesn't require a large capital outlay; Khadi and Cottage industries spread to urban areas to avail of transport and marketing facilities and financial support from institutional sources; The contribution of the

small and cottage industry sector in GDP was 6.33% in 2013-14; The share was approximately 9.82% in 2017 financial year; The Khadi and Cottage industries, despite their importance for the economy, are not contributing to their full towards the development of the country; It increases the numbers of new entrepreneurship and national capital which are essential for the industrial development of the country; By exporting the Khadi and Cottage products in the foreign countries or international market, Bangladesh can earn foreign currency; The Khadi industries also face the acute problem marketing their products; There is also the problem of raw materials which continues to plague these industries; The method of production which the small and tiny enterprises use, are old and inefficient; Another serious problem which these industries face is that of competition from large industries; Government supports to Khadi and Cottage Industry are not sufficient and effective; Association of Khadi industries workers is not efficient; Distribution channel of the products is not efficient; It faces scarcity of working capital.

## 5. Recommendations

Weavers don't get raw materials at right time and at right price. In this case, our recommendation is that government should have a monitoring cell under Handloom Board of Bangladesh to monitor activities of those wholesalers and retailers who are engaged in selling raw materials for Khadi products to prevent any unfair advantage. In addition, all tax and levies should be waived on all kinds of raw materials which will ensure the right price; Weavers suffer from inadequate contemporary technology. So, government should take necessary steps to make available these technologies in local market and should waive all taxes on these technologies so that weavers can afford these technologies; Weavers suffer from scarcity of working capital. Most of the time, weavers acquire their working capital from their own money and sometimes they acquire capital from various institutions like govt. banks, private banks and some other financial institutions. Both government and private sectors should work to solve this problem of working capital; High level of skill is needed to produce Khadi products, but there is no development program for weavers. So various specialized trainings program should be launched for weavers that will keep them updated. Both private and public sectors can work for this; Government supports to this industry are not sufficient and effective. Government should be more responsible and should provide more policy support to save this ancient industry. Our neighboring country, India, provides approximately 20% incentives to their Khadi and Cottage industry and these create problems like lots of Khadi and Cottage products enter in our market through illegal ways as these products are cheaper than our local products. To eliminate this problem, government can provide incentives to those weavers who produce those Khadi products which have high demand in national and international market, such as Sharee, Lungi, Bed sheet etc. Khadi Industry on the Way of Extinction; Existing distribution channel of the Khadi products is not adequate and effective. This problem can be eliminated if we can catch the attention of private organizations and NGOs to participate in the growth of this industry; Existing promotional campaign is not adequate. So intensive promotional programs like trade fairs, public relations, sales promotions and advertising should be undertaken; Khadi industry faces intense competition from mill and power loom sector. So government can create a quota system for handloom industry, under which, some special products such as Sharee, Lungi, etc which have high demand in national and international markets, can exclusively be produced by Khadi and Cottage; Government should be insurance schemes need to be linked to the cottage sector both to the unit and employees.

## 6. Conclusion

The Khadi enterprise has emerged as a dynamic and vibrant sector of the economy. At present it accounts for 55% of manufacturing and employment. Over the year's cottage enterprise have emerged as the leaders in the industrial sector of Bangladesh. The 1991 industrial policy was meant for promoting and strengthens of small tiny and village enterprise. One of the most prominent features of the Khadi industries is assuring large scale employment opportunities for skilled, semi- skilled and unskilled labor force in the region. It is matter of appreciation that the good performance of cottage industries can be indicated by the services provided to the workers. The workers in these industries are no less deprived of any kind of service as compared to the large scale industries. This industry is facing a lot of problems that have been highlighted through this study and made necessary recommendations to bring the Khadi industry at the blooming stage of development. We should extend our helping hand to the government and NGOs to pave. In spite of massive demand and passion for Khadi, it's not expanding as per expectations. So our government and other stakeholders should come forward to give policy support as well as financial support, such as the Export Promotion Bureau (EPB), which can arrange different type's affairs. Government should provide training, support and consulted programmers of cottage sector. Government should be rural artisan and handcrafts need to be supported to grow cottage industry to grab the global market opportunities. Accountability and transparency need to be brought in the implantation of the govt. schemes to support aspiring entrepreneurs.

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