Problems & Prospects of Agro-based Cottage Industries in North East

Shri. L. Baite, Managing Director, Shri. Iboyaima M. Meitei, Coordinator (Natural Resource) and Shri. Abhijeet Sarkar, Marketing Coordinator

North Eastern Region Community Resource Management Project for Upland Areas (NERCORMP), Shillong

Abstract: ‘REAL India resides in RURAL India.’ Cottage Industries support a large portion of the rural population of India acting as one of the major sources of its economy, and are responsible for having preserved the rich 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. In the context of north eastern regions of India, the story behind the success of rural artisans is also identical in the same way. These successes also involve bigger challenges when it comes to the actual ground reality. The challenges are inadequate physical infrastructure, high project costs, inadequate finance and investment, inadequate skilled labour, underdeveloped market and administrative problems for outside investment.

Under the areas of North Eastern Region Community Resource Management Project, the success and failure are two faces of the coin. The journey of rural artisans under NERCORMP which started in the year 1999, covering 3 states and 6 districts, have a million contented smiles...

1. Introduction

Cottage industries or the Small Scale Industries (SSIs) are the terms used for small business carried on at home, community centre, parish hall or some other convenient place involving very less number of people as labourers. Cottage industries developed mainly out of the need for an additional source of income, because of the need to use one's spare time gainfully and because of the relative ease of acquiring the necessary raw materials to set up such industries. Such industries also involve those traditional artisans and craftsmen who have inherited their work as an art form from their previous generations. Their various goods like dress fabrics such as khadi, leather, silk, cotton, wool, muslin, etc, many precious items like jewellery, ornaments, statues, idols, gems, stones, etc and edible items like spices, oils, honey, etc have a huge demand not only within India but also in the foreign markets.

In this context, NERCORMP is promoting activities of similar nature through its project areas under non-farm sector. This paper presents the problems & prospects of agro-based cottage industries in North East in detail.

Section 2 of the paper discuss about the North East India. Section 3 provides a background of the NERCORM project. Section 4 contains the meaning and concept of cottage industries. Section 5 is about the Industries in the North Eastern Region. Section 6 & 7 contains the
problems and prospects of agro-based cottage industries in North East. Section 8 provides a road map & strategy for agro-based cottage industries developed by NERCORMP for its project areas. Section 9 contains conclusion and Section 10 provides the source of information under references.

2. **The North East India**

The North-East India has got its definite identity due to its peculiar physical, economic and socio-cultural characteristics. This region consists of eight states viz., Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Sikkim. The NER of India covers an area of 2.62 lakh sq.km. It accounts for 7.9% of total geographical area of the country. With a total population of 46 million (2011), it accounts for 3.8% of total population of India. There are differences among the eight States in the North Eastern region with respect to their resource endowments, level of industrialisation as well as infrastructural facilities. The industrial sector has mainly grown around tea, petroleum (crude), natural gas etc. in Assam and mining, saw mills and steel fabrication units in other parts of the region. The full potential of the region is yet to be exploited and this has left the economy in a primarily agrarian state.

3. **The North Eastern Region Community Resource Management Project for Upland Areas**

The North Eastern Region Community Resource Management Project for Upland Areas (NERCORMP) is a livelihood and rural development project aimed to transform the lives of the poor and marginalized tribal families in the North East (NE) India. It is a joint developmental initiative of the North Eastern Council (NEC), Ministry of DoNER, Government of India (GoI) and the International Fund for Agricultural Development (IFAD), a Specialized Agency of the United Nations headquartered in Rome.

The broad objective of the project is:

“To improve the livelihoods of vulnerable groups in a sustainable manner through improved management of their resource base in a way that contributes to preservation and restoration of the environment.”

The project adopts a holistic approach of development with two broad focus areas:

- Social mobilization, organization and capacity building to tap and realize the great latent potential of the communities by employing time tested their traditional value systems and culture.

- Intervene with the economic and social activities and infrastructure with predominant thrust on income generating activities to achieve economic transformation.

The project operates in three states and six districts viz: Assam (Karbi Anglong and Dima Hasao), Manipur (Ukhrul & Senapati) and Meghalaya (West Garo Hills and West Khasi Hills).
NERCORMP completed its first phase in 2008 and the second phase i.e. NERCORMP II started its operations in July 2010. The Planning Commission has in principal approved for the NERCORMP phase III, and the matter is under active consideration with Government of India. The third phase plans to include two districts each in Arunachal Pradesh (Tirap & Changlang) and Manipur (Chandel & Churachandpur).

During the first phase, the project covered 860 villages, reached out to 39,161 households, and established 1012 Natural Resource Management Groups (NaRM-Gs) and 3168 Self Help Groups (SHGs) covering a total of 2,35,000 people. NERCORMP II is targeted to cover 400 villages covering a total of 20,000 households and establish 2,000 SHGs and 400 NaRM-Gs in the existing districts of NERCORMP I.

The project has a Regional Society headquartered in Shillong, to supervise and support the district teams, who implement the project in the field.

4. Meaning and Concept of Cottage Industries

According to the Fiscal Commission (1949-50) – "Cottage industry is an industry which is run either as whole-time or part-time occupation with the full or partial help of the members of the family".

Cottage industry is the one which is run by an individual with the help of his family members with very little capital. Most of the cottage industries do not use power. The use of power and machines in these industries are very limited. The products produced in cottage industries are usually to satisfy the local demands. Number of hired-labour in this sector is very limited and the capital investment is also small. They are mostly located in villages and rural areas. Examples of cottage industries are khadi industry, handicrafts, handlooms, cane and bamboo base industries, pottery, black smith etc.

4.1 Cottage and Small Scale Industries – The Underlying Differences

The Fiscal Commission remarks over the distinction of cottage and small scale industry is that "Cottage industries are normally associated with agriculture in rural areas and provide part-time employment to the agricultural labourers, while small scale industries are established in urban and sub-urban areas and provide full time employment to the labourers".

The main difference as mentioned in First Five Year Plan (1951-56) between cottage and small scale industries are:

1. Cottage Industries are mainly located in villages although they are scattered all over the country while small-scale industries are mostly located in urban and suburban areas.

2. Cottage industry normally do not employ hired-labour as these units are primarily run by the members of the family at their own premises while small-scale industries produce goods with
partially or wholly mechanized equipment employing outside labourers. Negligible or no capital is invested in cottage industries and production is done by hand with simple tools.

3. Small scale industrial units employ wage earning labour and production is done by the use of modern techniques which involves capital investments.

4. Small-scale industrial units use modern sophisticated machines run by power while in cottage industries the production is done by hand without the use of power.

5. The products of cottage industries usually meet local demands and supply ancillary goods to small-scale industries while the products of small-scale industries meet the demands for a larger area.

6. Small scale industries are located as separated establishment but cottage industries are located in the homes of the artisans.

7. Traditional goods like khadi, mattress, shoes, candle, cane and bamboo products are produced in cottage industries while small-scale industries produces many modern goods like radio, television, mixer-grinder etc.

The definition of small scale industries has undergone changes over the years in terms of investment limits to boost up the development of this sector (Table-4.1.1).

### TABLE-4.1.1

**CHANGES IN THE DEFINITION OF SMALL SCALE INDUSTRIES IN TERMS OF INVESTMENT LIMITS**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>Investment Limits in Plant &amp; Machinery</th>
<th>Additional Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1955</td>
<td>Up to Rs. 5 lakhs</td>
<td>Less than 50/100 persons with/without power</td>
</tr>
<tr>
<td>2</td>
<td>1960</td>
<td>Up to Rs. 5 lakhs</td>
<td>No conditions</td>
</tr>
<tr>
<td>3</td>
<td>1966</td>
<td>Up to Rs. 7.5 lakhs</td>
<td>No conditions</td>
</tr>
<tr>
<td>4</td>
<td>1975</td>
<td>Up to Rs. 10 lakhs</td>
<td>No conditions</td>
</tr>
<tr>
<td>5</td>
<td>1980</td>
<td>Up to Rs. 20 lakhs</td>
<td>No conditions</td>
</tr>
<tr>
<td>6</td>
<td>1985</td>
<td>Up to Rs. 35 lakhs</td>
<td>No conditions</td>
</tr>
<tr>
<td>7</td>
<td>1991</td>
<td>Up to Rs. 60 lakhs</td>
<td>No conditions</td>
</tr>
<tr>
<td>8</td>
<td>1997</td>
<td>Up to Rs. 3 Crores</td>
<td>No conditions</td>
</tr>
<tr>
<td>9</td>
<td>2000</td>
<td>Up to Rs. 1 Crores</td>
<td>No conditions</td>
</tr>
<tr>
<td>10</td>
<td>2006</td>
<td>Up to Rs. 5 Crores</td>
<td>No conditions</td>
</tr>
</tbody>
</table>

5. **Industries in North Eastern Region**

Industrially, the states in the region hardly have any industrial base, except perhaps Assam, because of its traditional tea, oil and wood based industries. To some extent Meghalaya has made
some headway in setting up of small and medium industries.

In recent years the “Look East Policy” of Government of India has made North East more important and strategic. The region has to gear up to take up more challenges and capitalize on the opportunities thrown open by the huge market in the South East Asian Countries. The industries of this region can be broadly classified as under:

5.1 Agro-based Industries

Agriculture is the main occupation of the people of North Eastern Region. SSI units based on the agricultural products plays a significant role in the economy of NER since the early stages of development. Most of the units are engaged in the manufacturing or processing of food products. Agro based products like paddy; ginger, chilly, orange, and maize, banana, passion fruits, mustard, turmeric, sugarcane and such other crops are grown intensively throughout the entire region. Rice mill, paddy dehusking, gur making, chow making, oil mill, spice grinding, small flour mill, pickle making, chips making, banana fibre extraction unit etc. are some of the important agro-based industries under the category of food products and allied industries.

5.2 Forest-based Industries

Nature has bestowed the NER with varieties of flora and fauna. The entire region is rich in forest and forest resources. Small scale and cottage industrial units based on the forest resources occupy a dominant place in the industrial sector of the economy. Different species of bamboo, varieties of timbers like teak, eucalyptus, rubber, pine, magnolia and oak, cane, medicinal plants and herbs, broom etc. are some of the important forest products of the region. Wood Products like furniture making, door and window making, automobile body building, saw mill, bamboo ply, mat ply, fibre board, decorative items like telephone stand etc., bamboo products like bamboo bags, hats, baskets, tooth picks, mats, cane furniture’s, carpentry works, citronella oil producing units etc. are some major forest-based SSI units in NER.

5.3 Textile-based Industries

Since time immemorial, the tribal societies of NER were characterized by the use of colourful traditional dresses prepared by the local weavers. Handloom and weaving is a popular household industry among the tribal’s. Handloom industry plays an important role for socio-economic development in the region in addition to safeguard the age old custom, tradition and culture. The modern textile industries have not been developed in this region; most of the traditional loin-loom has been replaced by zo-loom and fly shuttle looms due to their higher working capacity. The use of improved power loom is very few in numbers among the hill people. Most of the looms are operated by hands. Some textile units such as readymade garments of cotton and wool, knitting and embroidery, tailoring etc. are there in the state. Most of the handlooms are
specialized in the production of traditional dresses.

5.4 Mineral-based Industries

Mineral-based industries of the north eastern region include railway workshops, engineering industry, and re-Rolling Mills, steelworks, motor-vehicle workshops, galvanised wire units, cycle factories, aluminium utensils industry, cycle spare parts, steel wire net, barbed wire, cement industry etc. Moreover, the non-metal based industries include petroleum oil industry and natural gas-based industry.

5.4 Other Industries

It includes power generation industry, fertiliser industry, paper products printing press, chemical industry, metal industry, rubber & plastic based industries, leather industries etc.

6. Problems of Agro-based Cottage Industries in North East

6.1 Inefficient Manpower: Manpower plays an important role in any industry. The inefficiency of manpower in small- scale industries due to illiteracy, ignorance, lack of training facilities etc. affected the growth of small- scale industries.

6.2 Lack of Credit Facility: Another major problem of small- scale industries is the lack of credit facilities. Before nationalisation, commercial banks were not interested in providing finance to this sector. This situation has been changed after nationalisation of commercial banks but it is still far from satisfactory.

6.3 Old and Obsolete Machineries: The small- scale industries are facing the problem in production due to old and obsolete machineries. They are unable to compete with the products of large- scale industries.

6.4 Lack of Marketing Facilities: The small- scale industries also facing the problem of marketing their products. There is lack of organised marketing facilities for these industries. They have to depend on the middlemen for selling their products. In many cases the market for their products remains untapped.

6.5 Old Designs: The small- scale industries are continuing with the age old designs. The products are unable to meet the modern demand.

6.6 Scattered Plantation & Uneven Distribution The most important challenge which affects the marketing of produces in the region is the scattered plantation and uneven distribution of products which is uneconomical and inefficient. This in particular resulted in distress sale of surplus product in the local market as it could not attract big buyers from outside.
6.7 **Lack of road and transportation facility** Another major challenge is the non-availability of proper transportation network, across the region covering urban, semi-urban and rural areas; which in particular affects the movement of produces from the region to other parts of the country. As a result, increase in transportation cost or damage of goods during transportation or both contributing to low economic return. Most seasonal crops produced in one area cannot be taken to other part of the region for marketing due to lack of proper logistic support & poor transportation facilities.

6.8 **Lack of good marketing agencies and other distribution channel** Lack of appropriate marketing agencies in the region till date, is one of most important factor due to which the supply chain for the sale of farm based produces gets affected. Normally, private traders and middlemen pre-dominate the market and trading of agricultural produce in the region.

7. **Prospects of Agro-based Cottage Industries in North East**

7.1 **Labour Intensive:** The small- scale industries are labour intensive. They will provide more employment opportunities to the local rural communities. It will also help in solving the unemployment problems in the region.

7.2 **Low Capital Investment:** Small- scale industries can be setup even with lower capital investment as compared to large- scale industries. As capital is scarce in this region, small- scale industries are the feasible option for this region.

7.3 **Quick Return:** In case of small- scale industries, there is less time gap between capital investment and production of goods. Thus, it brings quick return to the entrepreneur.

7.4 **Reduction of Pressure on Land:** People of this region excessively depend on agriculture. The development of small- scale industries will help in diverting the excess workforce to this sector.

7.5 **Development of Entrepreneurial Skill:** The development of this sector will result in change of attitude of people of this region. People will develop an entrepreneurial skill, which will help in identifying new areas of investment. This will help in the economic development of the region.

8. **Road Map and Strategy for Agro-based Cottage Industries developed by NERCORMP for its project areas**

8.1 **Product development** involves enterprise development at group and individual level. The project facilitates in selection of non-farm enterprise which requires less capital investment, less complicated process, less duration for the establishment & development of enterprise. Some of
the activities are carpentry, barber, weaving, masonry, blacksmith, tailoring, broom making, cobbler, electrician, small bakery, promotion of handloom & handicrafts, woodcrafts, transport business etc.

The project also facilitates in development of farm based enterprise and its value addition like agro-processing/dehydration units, mini rice mills, spice grinding unit, tea factory, food and fruit processing unit etc. The strategy is to diversify the investment although there are risk factors involve.

8.1.1 Cluster approach production Project approach of cluster based production has not only made the required volume available but also helps producers/communities with better bargaining power. The project aims to educate a new generation of farmers with skills and management techniques relevant for intensive farming and cluster approach production which is far more profitable than scattered farming.

8.1.2 Construction of Food Processing Units & others Since the inception, NERCORMP’s objective was to provide sustainable livelihood which not only emphasize on Cluster wise production but also focuses on Value Addition, under which Processing Units are installed in all the districts. M/s. Global Biotech, Gurgaon facilitated in providing training to the communities. A buy back arrangement was formulated for the sale of value added products of Aloe Vera with M/s. Global Biotech, resulted into regular production of Aloe Vera Gel and supply. To facilitate the logistic arrangement an additional set of machineries, called the gel filing and sealing machine which was ordered from Dynamic Engineering, Raipur.

8.2 Brand Development

8.2.1 Developing a Market Identity for the Products In consultation with the sector heads of Project Management and closely working with a graphic designer, a Logo was developed which later on became a Registered Brand Name representing all farm & non-farm produces i.e. “NEAT” which stands for the acronym North East Agro-Business Trade.

With the increased production of commodities and graduating to the next stage of commercialization by the community through Value Addition, it became extremely necessary to systematically market the products and commodities. The brand and brand identity thus became a necessity to establish a market for the various products without which it is difficult for the customer as well as the producers are confident to be of high identity.

The brand name and logo has been decided upon keeping in view to imbibe a regional/exotic feeling of North East which is till now known to be untouched by pollution and hence more akin to being natural. The logo helps in identifying itself as products from the serene hills of North East.
8.2.2 Promotion of Products and the Logo The logo thus developed had to be first promoted amongst community and then among the customers. Hence, all products sold commercially were marketed with the logo in it. At present communities participate in the yearly promotional activity of their farm & non-farm produces i.e. ‘NEAT FEST’ – a trade fair organised by NERCORMP each year at Shillong in the month of May. Participation in the Workshop/ Conferences/ Exhibitions at District level, National level as well as International is a regular feature. This whole helps in the marketing and sale of all the SHG based produces under ‘NEAT BRAND’.

8.3 Establishment of Market Infrastructure The project has provided retail outlets, market shed, storage centre, common facility centre and cold storage to streamline the supply chain. The market and material availability data collected from PRA exercise and from monitoring reports also helps in effective marketing and distribution.

8.3.1 Establishment of SHG Retail Outlets This has been promoted by NERCORMP in all the project areas; which gives a platform to the community to sell their products to the Rural & Urban Customers. Few of them are located at Shilpagram, Guwahati (Assam), Retail Outlets at Tura, West Garo Hills (Meghaya) and at Imphal.

8.3.2 Construction of Market Sheds/ Collection Sheds In NERCORMP, promotion not only reflects the advertisement and publicity of the SHG produces but also provides platform to each and every individual to showcase his/her products. This is possible only when project supports infrastructural facilities. In consultation with the sector heads of Project Management, NERCORMP initiated the Construction of Market Sheds and Collection Sheds and was successfully implemented in all project areas. It has now become a successful intervention under Marketing Infrastructure Development and Promotion.

8.4 Creation of Marketing Linkage Marketing Linkage was attempted in both traditional and modern ways, which are:

8.4.1 Collective Marketing Collective Marketing as a project objective was initiated at village level through Cluster wise production of the farm produces; which has been promoted through extensive trainings conducted at each districts. The project trained selected members as Self Employed Business Agent (SEBA) to provide market support to the Cluster/ Federations. The idea was to overcome the problems of small dispersed production, lack of bargaining power, high transportation cost and lack of market access which resulted in low income. Collective Marketing has taken a good shape in Karbi Anglong, Ukhrul, Senapati, Dima Hasao and in West Khasi Hills where now Ginger is marketed by the Cluster Associations or the SHGs.

8.4.2 Channel sales Under channel sales, District Support Teams in consultation with the
communities have to inform the Regional Society, Shillong regarding the farm based produces with production quantity for selling and supplying the product out of the region. Regional Society then after receiving the product information, upload the details in the authenticated marketing websites such as www.indg.in and www.indiamart.com and in return receives the query from the buyers about the produces. Buyers are then invited to the concerned project area for quality and quantity assurance by the Regional Society in consultation with the District Support Teams. District Support Teams then facilitate the communities and the buyer by negotiating for fair price for the deal arrangement. Ginger, Bay Leaf, Pears has been successfully sold by this method.

8.4.3 Retail Sales Under retail sales, selected products have been identified in consultation with the concern District Support Teams for Retail Sales; under registered Trade Mark ‘NEAT – North Eastern Agro-business Trade’. District Support Teams helps in facilitating the communities in retail sales by selling the produces from the respective Outlets’ located in the concern Project Areas’ and Regional Society helps in facilitating the retail sales by selling the product from the Regional Society Office, Shillong. After the sales, Regional Society transfers the whole revenue generated from sales in the concerned group’s bank account through Core Banking.

8.4.4 E-marketing is done by promoting the non-farm produces under NEAT BRAND from the government websites like INDG, INDIA MART and others. It gives a platform to showcase the products which enables the buyer to directly contact the community for bulk business.

8.5 Transportation Linkage The project intervention in providing village roads which are by and large, all weather roads, helps villagers to transport their surplus produces from village to local market or collection centre. Better road connectivity will reduce the cost of transportation as well as the transportation time for perishable goods. Project also facilitate in purchase of vehicle by community groups which helps in transportation of material from the village. These vehicles carry produce from growers to market place and back.

9 Conclusion

Small scale and cottage industries are no doubt very important for the economy of NER in particular and the economy of India as whole. Recognizing the important role that small scale industrial sector play in the national economy, both the central and state government have to take active steps to develop, promote and foster their growth. Small scale and cottage industries are suffering from a number of problems; some are more or less common to a wide range of industries while others have particular relevance to a group of industries located in rural and backward areas. The opportunities are vast in the region but we still need a holistic approach for overall development of the economy of North East.
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