

# Critical Review of Cottage and Small Scale Industries in Pakistan

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## Abstract

Cottage and small scale industries has great scope in Pakistan. It generates employments for the nation and improve the balance of trade of the country. When Pakistan came into being the situation was a little bad while slowly gradually it developed. The present study was carried out in May 2018 and the major objective was to critically review the cottage and small scale industries in Pakistan. Total 15 articles were downloaded from the net and 20 times were read each article and some data were recorded from the field visits and analyzed the situation. The critical review analyzed that Pakistan in industrialization in the beginning was weak while slowly gradually developed and established different Corporation for the uplifting of Cottage and Small Scale industries in the country. Among these Pakistan Small Industries Corporation, Punjab Small Industries Corporation, Sind Small Industries Corporation were developed in the start. The Small Industries Development Board NWFP and the Directorate of Small Industries were also established in 1948. These corporations have worked day and night for the enhancement of Cottage and Small Scale industries in different province of the country. Now a day Punjab particular Sialkot city is popular for making of sports goods similarly Swat is famous for different embroidery goods while for marble industry KP is very famous etc. The majority area of the KP is agriculture while the farmers work 180 hours in the season but the remaining days face unemployment and earn nothing, however if they start agro-based industries business at their home such as squash, marmalate, poultry farming, and livestock etc, then they will earn more than before and their unemployment problems will be solved while income will be improved. Subsequently cottage and small scale industries facing problems, in the country, such as High tax, High input Cost, Fund non-availability from the bank, un-peaceful environment, terrorism, bad transportation, non-availability of raw material, loadshedding, international demand of the products and lack of skilled labors problems were observed in the literature. The government tries best to solve these problems while still failed in its solution. So many programs were launched for its development while still not achieved the targeted objectives. The main reason is that the government paid due attention to large scale industries and they set the industries in urban area while bring raw material from the rural sectors. These program effects fell on the city while rural communities were ignored from the benefits. Majority people from rural area migrate to city for the purpose of jobs. Similarly population pressure increases day by day on city which make great problem for the urban dwellers in the long run. On the basis of problems the study recommend that free tax system should be imposed for cottage and small scale industrialization in the country; Subsidized and support price should be arranged for input and output products in the country; On easy term loan should be provided to industrial owner by bank on free interest; Peace protection should be provided in the industrial zone by government; Overcome on the terrorism is required and transportation facility should be provided to industrial owner by government in the industrial zone ; Raw material should be provided to industrial owner at low cost and loadshedding problem should be solved and provide electricity at low cost to industrial owner in the study area; International quota should be multiplied by government for the small scale industrial products and skilled labors should be facilitated to industrial owner in the study area and large number industries should be established in rural area to stop migration to city and provide employment to rural dwellers at their door step to make him prosperous and healthy.

**Keywords:** Critical Review, Cottage and Small Scale Industries, Past Literature , Pakistan

## 1. INTRODUCTION

Cottage industry is a that industry where family members make goods with the help of hand and no machinery is involved in making the goods while small scale industries are working in the home while outside family members are also involved in this activity as a hired labor. The number of labor is less than ten and some machinery are used in good making. Cottage and Small scale industries have a great scope in the development of a country. It generates employments for the mass and provides jobs to community which increases the income level of the people which further improve the living standard of the population and latter on furnish the other sector.

At the beginning of Pakistan independence in the start very few manufacturing units were working in the country which totally based on agriculture. In 1949-50 the contribution in GDP was around 8% where large scale 2.2% and the small 5.8% comprising of Cotton Ginning, Rice Husking, Wheat Milling . Many recent studies reflect that industries contribute more in economic development in a country. Research has also revealed that favorable policy only motivate the small enterprises in the country.(Thamason & Thomas 1992). Multinational Corporation did not take huge interest in the industrial sector of Pakistan due to unavoidable circumstance in

Pakistan. Pakistan currency de-valued day by day and faced several upheavals and obstacles. Democracy upset in 1999, and then 9/11 incident has made the Pakistan environment unfavorable and in early 2000's period Pakistan faced suicide bombings, which further weakened the investor's role in Pakistan around the globe (Ubaid, 2013).

When Pakistan came into being Khyber Pakhtunkhwa was the poorest province in industrialization. Up to 1956 they have only 47 units which provide 16407 employments in the province. Among these units, 14 were large scale and remaining were medium or small-scale units. During rapid industrialization period in 1958-68 the Khyber Pakhtunkhwa and Baluchistan did not benefited more than the other provinces in Pakistan. After one unit system dissolution the government of Khyber Pakhtunkhwa has set up two organizations such as Sarhad Development Authority (SDA) and Federally Administered Tribal Area Development Corporation (FATA). During 1973-81, SDA completed 16 projects with cost of 734,051 million Rupees. FATA was established in 1971 and was responsible for establishment of industries in the Tribal area of Khyber Pakhtunkhwa (Mateen, 2001).

The Khyber Pakhtunkhwa is mostly plain and is surrounded by low arid hills toward the north and depends on Agriculture. Economically ,Khyber Pakhtunkhwa and Balochistan are backward from other provinces due to unfavorable geographical location and poor law and order situation. Terrorism has highly affected the industrial sector of those province. Before terrorism the functional units were 2254 and employments were 66129 while after terrorism the number of functional units of the industries were 1552 and 702 were closed down due to terrorism and majority lost their job (DIE, 2011)..

Industry is the most potential sector in Pakistan while play a vital role in the development of a country. Industry generates employment and products for the people while this sector contribution in GDP is 19% in Pakistan. It make the life prosperous and standardized. Finally it is concluded that without industrialization the development of the country is impossible.. Many things are the blessings of industries, and make life easier and luxurious, from food to shelter, houses to offices, all that is the role of industries. (Sanderson, 1992, Roshan, 2011). After independence Pakistan received only 34 industries which make 4% of the total industries. Majority based on raw materials and includes small sugar mills, cotton mills hulling rice flour mills, canneries, etc. Seeing to its vitality the Pakistani Government called the industry conference on December 1947. The conference recommended the establishment of industries that use local raw materials such as jute, cotton, hide and skins. Similarly the Council was set up in 1948 while latter on Finance Corporation, Industrial Credit and Investment Corporation were also established in 1948 for enhancing the industrial development enterprises in the country (IDP, 2011).

After independence Pakistan has played great role in the development of industrialization. However, country is still very backward economically. The industry has three categories such as small scale, medium and large-scale industries. The government has play vital role in small, medium and large scale industries (Khan, 2005). Small-scale unit consist of 5 to 10 labors in Pakistan, which may include proprietor and his family members or hired labor on daily wages. It needs less investment and small size of land, and has little documentation for setting of industries. These units are more effective for economic growth and have an important role in the development of industries. Seeing to its importance the study was arranged to critically review the past literature on cottage and small scale industries in Pakistan and analyzed the situation why cottage and small scale industries are still less developed in Pakistan.

## **2. MATERIAL AND METHODS**

The Universe of the study was Pakistan. Total 15 articles Cottage and Small Scale industries of past literature were download from the Google and read 20 times each and analyzed the situation and conclusion was draw according to the objective.

## **3. CRITICAL REVIEW OF COTTAGE AND SMALL SCALE INDUSTRIES IN PAKISTAN**

Khan studied Khyber Pakhtunkhwa cottage and small scale industries as a participant observer. He visit different area of the province. He told that large number marble industries are working in the area of Mahmand and Bajaur Agency. They provide marble to Peshawar for building construction while some industries are also working in Karkhanu market in Peshawar. However few marble industries are working in Swat, Bunair and Sawabi district. Similarly crushing stone machineries are also working in district Mardan village Sarobi Liasi Area. They produce crush for the construction of road and building. In Swat and dir districts furniture industries are working. They supply furniture to Punjab and Sind Province. However in district Mardan in village lundkhwar large number sweet industries are working. Among sweet amrasa are very well known and the people of surrounding area used very interestingly while in the whole KP consider a very tasty food among the sweets. The Matai of Rajor district Charsada is very famous in the whole world and demanded by everyone in the country in time of different ceremony programs while the shoes of district Charsada is also famous in the world and some time are exported to Dubai and Saudi Arabia. Some wood tolls are working in Mardan City. From

these tolls wood are supplied to Kabil and Punjab province for the purpose of matches making and shield of building construction. In district Mardan poplar is very famous and it is considered the problem solver of the farmers. Subsequently flour mills are also working in Khyber Pukhthunkhwa which play a key role in the time of food crisis. In Gadoon Amazay district Sawabi few Small industries are working while majority are in the form of sick industries due to un-proper planning by the Government. Some poultry farming were also observed in Khyber Pukhthunkhwa particular in Mansehra Districts. Those cottage and small industries have generated large number employments in the Province and make the life of people prosperous and healthy. There are so many chances for improvement of cottage and small scale industries in this Province, if government give due attention to Cottage and Small Scale industrialization. Industrialization want peace, favorable environment and fund while this province was extremely affected by terrorism, particularly Swat, Bajaur, Bunair and Waziristan Area. There the pressure of terrorism was more than the other district of KP and it was the center of the terrorist in the Province and because of terrorism the investors did not take huge interest in industrialization. The people of KP is very poor and majority is below the poverty line, so for industrialization the purchasing power is very low while the KP situation is favorable for Cottage and Small Scale industrialization, if the government agencies provide funds without interest through this way industrialization will be improved in this province very firstly. Employment will be generated and unemployment problems of the province will be solved and subsequently the migration of pressure on other provinces will be decreased and the GDP of the province will be improved while slowly gradually crimes will be decreased in the province and other sectors of the province will be positively affected. Now a day the KP environment is clear and favorable for industrialization. The Imran Khan Government had given due attention to industrialization and let off the tax for five years for cottage and small scale industrialization in the province. So this step of the government is highly appreciated. Tariq and Shah (2003) analyzed that Khyber Pakhthunkhwa faces 23% top costs compared to their counterparts in Karachi due to location disadvantages. Moreover, firms in less industrialized areas face shallow markets – lower level of local demand, poor quality of raw substances and unskilled labor force Ubaid (2013) study reflected that unstable Government defamed Pakistan internationally due to which Multinational Corporation did not show huge interest in the industrial sector of Pakistan. In this era, Pakistan currency de-valued day by day, while faced several upheavals and barriers. Democracy upset again in 1999, and then 9/11 incident changed the course of history and in early 2000's Pakistan faced suicide bombings, which further weakened the investor's interest in Pakistan around the globe. Jaleel studied that there were various reasons for the poor performance of the manufacturing sector. One wing of the country (East Pakistan) forcefully separated. The country had to fight a war with India in 1970, suspension of foreign aid, the loss of local market (East Pakistan) fall in exports, poor investment situation, world trade deficit, reduction of investment promotion, etc. caused by low productivity in many parts of the country. From July 1977 to 1980, the government began tremendous working in the country. The private sector was invited to invest in large scale industry. Ducker and Schumpeter told that small scale sector created millions of jobs in the last decade and has been considered the engine of growth in the USA, which has provided close to full employment in the economy. Many other countries show the same phenomenon to varying degrees. Entrepreneurship is thinking an innovation which create change in the status quo of the country. (P. Drucker, J. Schumpeter). Hanif told that the most widely discussed problem in Pakistan today is industrialization. Pakistan is trying to industrialize itself as rapidly as possible. The urgency of the problem, however, should not be so much emphasized as to lead to a neglect of proper planning and co-ordination between different forms and types of industries. Fortunately or unfortunately as we have got an opportunity to plan from the very beginning, we should first pause and think of the objectives of industrialization and then to see how far different forms of industry fit in with these. It is on this basis that the scope of large scale and cottage industries in the national industrial plan can be determined and a proper place given to each. In the statement of their industrial policy, the Pakistan Government defined the aims and objectives of this policy as: "an improvement in the standards of living of the people brought about by harnessing, to the maximum extent possible, the forces and treasures of nature in the service of the people, by providing gainful and legitimate employment and by assuring freedom from want, equality of opportunity dignity of labour and a more equitable distribution of wealth." This statement provides an unequivocal declaration of the aims of industrial development which can in simple words be classified as follows: Exploitation of available natural resources to the maximum advantage. Provision of employment for people, adoption of those methods of production in which dignity of labors maintained and more equitable distribution of wealth. These are the ultimate standards to which all schemes of industrialization must confirm and on the achievement of which the success or failure of the practical policy will finally depend. The "harnessing, to the maximum extent possible, the forces and treasures of nature in the service of the people" implies the maximization of production at the lowest possible cost. In this respect the cottage industries are generally believed to be at a disadvantage in so far as the real cost per unit of product is assumed to be high in cottage industries. This is, however, not always the case. There are certain industries which by their very nature require to be run on a small scale and do not lend themselves to the application of machinery. In this class can be included industries supplying those goods which cater to individual

tastes and other goods which have some artistic value depending upon their singularity. Moreover the proximity of the market and an intimate knowledge of the consumer which enable the producer to adjust to the changes in demand gives certain advantage in marketing costs which may in certain cases more than offset the advantage in production costs enjoyed by the large scale industries. Even in those cases where the superiority of large scale industry in operating at low costs due to the internal and external economies is generally recognized in other countries, we cannot take it for granted in this country where, to refer again to the statement of Pakistan Government industrial policy “technical and technological institutions, research and analytical laboratories and credit and service agencies, which one normally associates with an advanced country have yet to be organized,” and where the abundance of cheap labour and scarcity of capital leaves a very small margin for the application of automatic machinery. The relative lowness of costs in large scale industries in other countries is due to the application of labour saving devices, the latter factor costing comparatively more. The reverse holds good of this country. It seems, therefore, probable that some cottage industries may hold their own even in the face of competition from large scale industries. This to a large extent explains the persistence of the cottage industries in the country even after the impact of industrial revolution. This ability to face competition amply signifies the fact that their cost of production is as low as that of large scale industries. This argument, however, is subject to a serious criticism; if the low cost is based on the cheapness of labour and if it continues so, does it not defeat the purpose of development which is to bring about an increase in the standard of living. This, however, implies quite a long term approach to the problem. For the time being at least the relative cheapness of labour is a fact which influences cost. This advantage of the cottage industries can further be strengthened by the use of electricity and small size units of machinery, wherever the same is possible. Later on, when our capital resources are developed and the labour-capital cost relationship is changed, the use of more capital and labour-saving devices may be profitable and desirable. At that stage a slow and gradual adjustment in the size of production units of those industries which are unable to retain any advantages of small size will have to take place. It is, however, quite essential to make it clear that the argument applies only to those industries (mainly light consumer goods industries) in which labour plays a relatively important role and can with advantage replace machinery. The heavy industries on the other hand by their very nature require a greater application of capital which cannot profitably be substituted by labour, however, cheap the labour may be. These industries, therefore, will have to be organized from the outset on a large scale allowing the fullest utilization of the huge blocks of machinery. To sum up there are some cottage industries which have got certain economic advantages over the large scale industries and will therefore continue as such. There are others which at least in the short term will have to be organized on a small scale. While there are still certain industries in which the advantage of large scale industries is absolute. The economic task of the planner is to locate and demarcate these different sectors of industry and apply a suitable policy to each. The employment of people is not only a problem of relative cheapness of labour as compared to capital, but it is in itself an end directed towards the lamination of want and hunger, besides giving the people a sense of being useful for the society. The non-economic aspect of the problem of employment, as been quite duly emphasized by writers on economics in recent years. This shift of emphasis is based on the recognition of certain psychological traits in man and the latent social dangers implied by unemployment. No amount of relief in the form of unemployment insurance etc. can keep a sensible educated person from frustration and discontent if he is unable to get some work to do when he is willing to do it. This emphasis on the problem of employment has found its culmination in the declaration of universal basic human rights in which the right to employment has been given an unequivocal recognition. Today it is therefore as much the duty of a state to provide employment to people as it is her duty to protect their lives and property. We have laboured on this point so much only to bring home the importance of argument that in countries with very large populations to sustain, the employment consideration may prevent the adoption of large scale industries so far as it is at the cost of cottage industries. It was once estimated that even in the undivided India which was relatively industrialized on a large scale, industries provided employment to only 9% of the total population. The statement shows that effect of large scale industrialization on the problem of unemployment, and thus emphasizes the need for supplementing every programme of industrialization with the establishment of cottage industries at least in those sectors of industry where the latter are at the least disadvantage, if the problem of unemployment which is growing in importance has to be successfully tackled. The real problem, however, in this country is not that of unemployment but of under-employment. The mainstay of people in this country is agriculture on which excessive pressure has resulted in low productivity per man partly because he is not employed during the whole of the day nor every day in the year. According to Calvert the work done by an average cultivator in the Punjab does not represent more than about 150 days’ full labour. This problem requires a two sided attack for its solution *viz* .The establishment of large scale and cottage industries to provide alternative employment and thus to reduce the pressure on land, and. The provision of suitable subsidiary occupation to the cultivator. This can be done by encouraging him to take up and develop certain occupation allied with and depending upon agriculture in order to supplement his earnings and thus reduce his poverty. For instance the dairy-farming and milk products, animals husbandry, utilization of by-products of animal, such as

bones and hairs, hides and skins, fruit preserving, manufacture of jams, jellies etc. can easily be developed in the homes of the cultivators and would go a long way in removing the existing under-employment of people by providing them gainful employment for their vacant hours and periods. The human problem of employment is not only quantitative but also qualitative. It is not only how many people are employed for how many hours, but also how after all, they are employed. This is the field where the controversy has been great and bitter and if not the whole, a substantially large part of which has lain outside the scope of economic discussion. Here, however, one thing can be emphasized: We should not aim at imitating any form of industrial organization without due regard to the characteristics and traditions of the people who are to be employed. While in urban area where family ties have weakened and social system is more and more being influenced by the ideas coming from the West large scale industries may be suited, in rural areas where the hold of tradition and family-love is more likely to secure a happier existence for the craftsman who works in his own home in the midst of his own family and enjoys the pleasure of artistic creation. These facts though not conclusive in recommending any form of industrial set-up must be given due weight in all considerations for this purpose. Lastly the question of “a more equitable distribution of wealth” is as important as the utilization of natural resources and provision of gainful and legitimate employment, if the ultimate aim is “an improvement in the standard of living of the people”. Here it is generally believed that the large scale industry results in gross inequalities of income, while cottage industries do not at least give birth to this evil. The argument, however, is based on an assumption which is quite questionable. The assumption here in respect of cottage industries is that they are run quite independently by the workers, financing and marketing arrangements being made by themselves; in the case of the large-scale industries it has been unquestionably accepted that a *laissez faire* capitalism exists and holds the industry. Evidently both of these assumptions may not be true. This ultimately depends upon the social and industrial leadership in the country. In a socialist state equitable distribution of wealth can be achieved even with the large scale industrial set up. On the other hand in a capitalist economy where the “putting-out” system prevails (*i.e.*, big merchants lend raw material to the worker and get the finished product in return leaving very little margin as wages, as in Japan) the lack of organization on the part of cottage workers would result in a greater squeezing of their share in the production and consequent inequalities. What can, however, be implied in the above statement regarding more equitable distribution of wealth under cottage industries is merely that it is easier in that case to so mould the system as to eliminate these evils specially if finance can be provided by the state or cooperative method is adopted. This is in comparison to the large scale industry where the state has for this purpose to resort to interference with the institution of private property involving ideological conflicts. Amjad (1984) analyzed that the Government has, over three decades, attempted to promote small-scale industries through the creation of appropriate institutions, first through centralized and then through decentralized locations. The main aim of these efforts has been to rely on local resources, create more employment or save foreign exchange by avoiding import of sophisticated capital equipment. To the extent that the rural development programme has focused on rural industries, the aim has been to promote the production of commodities based on agricultural output. However, a number of factors seem to have rendered the objectives of the programme difficult to achieve. Besides a poor understanding of the problems of small-scale industries, the meager resources allocated to the various programmes seem to explain their limited impact. Since these programmes were administered from selected urban locations and since the definition of small-scale industries followed was fairly broad, it seems likely that they had a minimal impact both on rural and on very small-scale activities. The rural development programmes, while addressing themselves specifically to the rural poor, nevertheless paid little attention to rural industries as such. In fact, the proportion of total public sector development expenditure devoted to rural areas was so small that they could not have made a bigger impact. The few scattered attempts to promote rural industries suggest that the approach to development stressed the role of organization. It is also perhaps true that the authorities overestimated the capacity of village workers to provide the necessary advice and the capacity of the community to raise the resources needed locally. Perhaps the most important conclusion emerging from this exercise is that there was little understanding of the problems of small scale industries and their employment potential. Abdullah and Khan 2017 studied that after sick industries the employees income, expenditure and saving were decreased and the house structure badly affected. The number of livestock decreased than before and their children education were also badly affected .The result indicate mean monthly income of the respondents after the failure of the industries Rs.12634 and before Rs.17545 and found statistically significant (P.Value =0.05). The mean monthly expenditure was Rs.12036 and before Rs.14746 and found statistically significant (P.Value =0.05). The mean monthly saving after and before indicates Rs.607 and Rs.1614 respectively and found statistically significant (P.Value =0.05). The number of cows, buffaloes, goats and sheep were counted less than before the sick industrial units in the community of the employee. The result further said that the house changed from semi *pacca* to *Kacha* and house items were found less than before and house holding status degraded from owned to rented and food pattern negatively affected due to low income of the respondents. Transport, Job accessibility, and health problem were identified in the study area. On the basis of problems study recommends tax free industry, skill training to community; establishment of small industries for employment generation and fund

availability on low interest rate by government to industrial owner for rehabilitation of the sick industries and smuggling control by government, industrial reform for employee protection and marketing system development for enhancement of industrial development in the study area. Khan and Abdullah reviewed in 2017. The major objective of the review was past literature on industrial development. The review concluded that industrial development play key role in the economic development of Pakistan and without industrialization the development of Pakistan is impossible. The industries generate employment which improve the income level of individuals in the countries while also improve standard living of the population in the country and GDP of Pakistan while for smooth industrialization good character, peace, sufficient finance, favourable environment, developed institutions is necessary. During review many problems were viewed, which make hurdle and bottle necks for industrialization in Pakistan, such as tax, un-proper marketing, demand for products, smuggling and finance etc. On the basis of problems the study recommend that sufficient funds for industrialization is required; Free tax based policy for industrialization should be initiated by government in Pakistan; Sufficient finance by bank to industrialist is required for smooth running of the industries; Smuggling control is requested for safety of local industries ; Train and skillful labours provision by government is requested; local labours availability is highly needed; Peace and security is requested by government; Raw material availability is highly required for smoothly industrial development; Foreign investors incentive policy should be arranged for industrial development in Pakistan by government. Junijio and Chand analyzed the growth, efficiency, causes of sickness of small scale industry, emergence of entrepreneur and competencies of entrepreneurs at Larkana estate area of Sindh. Province. The study examines the educational background of the entrepreneurs of small scale industry who are the helm of affairs and its impact on the growth of sales of the every year. Strong evidence emerges that owners of small industrial units are family concern and having a low educational background, lack of managerial knowledge and conservation-oriented attitude results in under utilization of capacity and low growth of units established every year. The study concluded that education is required for small scale industrial development. Lack of education the owner business is not properly managed which in the long run failed and make the industry sick. In USA most of people are highly educated and have a sufficient skills and abilities to start the new ventures. They have relatively low fear of failure and high alertness to avail the opportunities. In America specially in estates areas of various States of America have better infrastructure facilities such as metal led roads, internet, libraries, training facilities, workshops and seminars and estates executives have been providing all kinds of necessary information to the entrepreneurs for upgrading their knowledge by which they are taking the rational decisions in order to face the new challenges. The executives of various estates they have provided training facilities to the 10 million entrepreneurs in the field of management and marketing. (Source: answer desk SBA America) Hussain et al (1986) discussed that despite the recognition of the importance of small-scale industry, the Government of Pakistan's industrial policy has been biased in the past towards the large-scale manufacturing sector. The First Five Year Plan (1955-60) document states the significance of small-scale industry in the following words. The importance of the small-scale industry was highlighted again in the subsequent five-year-plans. The large-scale manufacturing sector has its own advantages and played no doubt, has, an important role in the economic development of the country. In this study, our intention is not to minimize in any manner the importance of the large-scale sector but merely to examine the case for small industries in Pakistan. Promotion of small-scale industry can help in achieving many objectives and, in particular, it can help in reducing the problem of widespread unemployment in the country. This problem is expected to aggravate with the inflow of returning migrant workers from the Middle East. Small industry uses relatively more labour-intensive techniques and can generate employment for the expanding labour force. It can also be an important source of foreign-exchange earnings, as it intensively uses the relatively abundant factor of production, viz. labour. By relying on domestic inputs, it also economizes on foreign exchange. Other arguments given in favour of small industry are that it is an efficient user of the scarce factor-capital-and has better linkages with other sectors of the domestic economy. The objective of this study is to examine briefly the role of small-scale industry in the economy and to analyze fiscal, financial, and other incentives provided to this sector by the government. Before analyzing the role of small-scale industry in the economy, it may be appropriate to look at the definition of the term 'small scale'. A small enterprise may be defined differently for different purposes, but whatever criterion is used to distinguish a small from a large manufacturing enterprise, an element of arbitrariness is involved in it. The provincial Small Industries Corporations define a small enterprise in terms of an upper limit on the value of fixed assets, excluding land. This definition has been employed by them and other organizations to collect data on small industries. As our study is based on published data, we have used the same definition of 'Small-scale Industry' in terms of the value of fixed assets. The upper limit on the value of fixed assets has been changing over time but at present it is 5 million rupees. The role of the manufacturing sector in the economy can be judged from its contribution to the Gross Domestic Product (GDP). Its share in GDP at constant prices has increased over time in Pakistan. In 1959-60 prices, the share went up from 15.5 percent in 1972-73 to 18.3 percent in 1985-86. The share of the 'small-scale' manufacturing sector in GDP has also increased from 3.6 percent to 5.0 percent during the same period. Similarly, the share of small scale in total

manufacturing has increased from 23.3 percent in 1972-73 to 27.5 percent in 1985-86. It may be pointed out here that these results are based on constant growth rates of the small-scale industry for different periods, as assumed in the National Income Accounts. The growth rate was taken to be 7.3 percent between 1972-73 and 1976-77, and 9.4 percent thereafter. These rates are, however, not incontrovertible. In an ARTEP study it has been shown that the rate of growth of the small-scale industry in Pakistan is higher than the one assumed in the National Income Accounts. Based on data from different surveys, the study reports the annual rate of growth of 7.2 percent for the period from 1966-67 to 1969-70, and of 13.5 percent for the period from 1969-70 to 1976-77. According to the available statistics, although the contribution of small-scale sector to GDP does not appear to be very high, it is, nonetheless, an important sector in many other respects, especially in terms of employment generation, exports, and better linkages with other sectors of the domestic economy. There is a web of cottage and books industries. In almost every village, there are a number of such industries depending upon the size of the village and the demand for the products. The establishment of such industry is closely related to the availability of raw material traditional skills, climatic conditions and, in several cases, the local specialization in the organized factory sector. There is a large variety of handicrafts available in Pakistan. They are not only aesthetically pleasing items, but they also serve the needs of local people. Some of these industries produce important export items. Recently exports of non-cotton products have faced increasing trade barriers as public opinion in industrialized countries has expressed growing concern about child labor, environmental and health standards. These concerns are being addressed now. In the small scale industries, the most important is the Carpet weaving and its center are located almost all over the Pakistan. It is also significant in economic terms and they make valuable contribution in exports. Cotton is the raw material required for this industry. They employ women and children for the production of fine hand woven carpets and for the production of wool silk or a mixture of the two, as the carpets are of great significance. Therefore, children are employed and child labor takes place. Textiles are found throughout the country with a variety of design and techniques. The most famous among them are khadar, Susi, Khes, Chunri, Boski, Karandi, Shaal, and Ajrak. The designs are invariably brightly colored with traditional emphasis on blue and red. Embroidery has developed to a fine art with distinctive regional designs and patterns. Gold and Silversmiths are one of the largest communities of craftsmen. Much of the jewelry made and sold in the cities is intricately fashioned and delicate. Ceramics Clay and terracotta pottery and utensils continue to be of great practical importance. Many of the designs of urns pitcher bowls, jugs, plates, and pots seen today are almost identical to those uncovered at archeological sites around the country. Distinctive glazed blue tiles are used to decorate many of the great mosque in Pakistan. Wazirabad is the city of cutlery industry in Pakistan. This industry is growing day by day and has share of 65 million US dollars in Export for 2010. High Quality Damascus Steel is manufactured in this city and 95% of world needs are produced here. The Swat Valley is perhaps the most famous for its intricately carved architectural wood work and furniture, although wood carving common throughout the northern mountains Sports goods earn about 3.7% of our total exports. The main raw material for the sports goods industry are leather and mulberry wood that are available in Punjab, but also imported PVC Foot ball, hockey ball, hockey sticks, cricket bats and racket are mostly manufactured by hand. The skilled workers are available in Sialkot and Lahore. In the industry large and medium size factories contract work out to small-scale and cottage concerns. The local sports goods manufacturing industry is one of the major source of foreign exchange earnings of Pakistan. It is centralized in and around the city of Sialkot, where it has flourished as a cottage industry with most of its production by generations of skilled craftsmen. At the time of independence, this industry was in an infant stage with a nominal export of Rs. 0.82 million. The Government took immediate steps to develop this industry by providing loans and subsidies to the manufacturers and arrangements were made to market the manufactured goods. Since then, the industry has flourished locally and enjoys good reputation in the international markets as well. Mostly these goods are provided to Fatima syed productions. At present, there are more than 2000 units, mostly on small scale in operation with an installed capacity of Rs. 20 billion per annum. The units are operating on single-shift basis. Pakistan produces a wide range of sports goods, accessories, games and athletic equipment generally following the British, American and German specifications. The Government is also enforcing on a compulsory basis, minimum quality standards for sports goods manufacture. The Pakistan Standards Institute, a government agency, has devised specific standards for different types of sports goods. The important items being produced are tennis rackets, hockey sticks, hokey balls, polo sticks, cricket bats and balls, footballs, (complete) and numerous goods used in both in-door as well out-door games. At present, Pakistan's sports goods enjoy a world-wide recognition mainly because of the care that goes into their designing, manufacturing and selecting of the finest raw materials. The basic raw materials required for the production of sports goods, are leather, wood, glue, nylon guts, rubber and chemicals. Out of these, leather and various kinds of wood are abundantly available in Pakistan. The industry annually utilizes materials worth Rs. 8 billion including imported raw material. Exports this industry is one of the major foreign exchange earners for Pakistan and is, therefore, receiving full government backing in its development. It is estimated that more than 75 per cent of the total production is exported every year. In fact, the export demand has acted as the main stimulus for the

rapid growth of this industry because of care that goes into designing, manufacturing and selecting of raw materials. There are two factors which are responsible of this. Low price as compared to general price level. Durability plus good workmanship Export of sports goods increased from \$136 million in 1990-91 to \$384 million in 1997-98. Showing an average increase of 23 per cent annum . The export market for sports goods is fairly diversified. More and more countries are being added to the list of their imports. In 1990-91 there were in all 50 countries importing these good from Pakistan. Thereafter, the list has continuously expanded so that during the 1992-98 period, Pakistan exported sports goods to 90 countries. However, the principal importing countries are Germany, USA, UK, France and Italy. Others were Spain, Netherlands, Hong Kong, Denmark, Canada, Belgium, Dubai and Chile..In the international market, India, Japan, Taiwan and South Korea are the main competitors of Pakistan. They are supplying their products at lower prices. While India has an advantage of cheap labour and raw material Taiwan, Japan, and South Korea have semi-automotive and mechanized units and are always engaged in introducing cheap sports goods such as metal rackets and cricket bats etc. In order to encourage the export of sports goods, the Government has taken many positive steps and has offered various incentives. Customs duty, sales tax and excise duty rebates on f.o.b. value of exported various types of sports goods are available. Another incentive is that import of restricted and tanned raw materials are also allowed on cash licenses against export of sports goods. This industry is facing severe competition from Taiwan, India and South Korea. Although the Government has provided various incentives and facilities to modernize and mechanize the industry, the opportunity has not been availed. The improvement in quality and consequently in exports earnings has been due to the improved availability for leather for manufacture of footballs which constitutes about 75 per cent of the total exports. Keeping in view the trends during 1991-98 about 23 per cent growth rate, improved quality available and competition faced in the international markets the future demand is expected to growth the rate of 15 per cent during 1999-2000.Sialkot and Lahore are also noted for the manufacture and export of surgical instruments. The most important raw material is stainless steel which has to be imported. In this industry, also, medium scale factories contract work out to small-scale and cottage concerns. Also like the sports goods industry, most of the output is exported. Sialkot is the biggest surgical maker in the world and India, America, Australia and many other countries are importers of surgical instruments from this city. Sialkot has the major role in making surgical instruments Other small-scale industries include electric fans, cutlery and general engineering. small scale industries are those which generally employed less than workers and they run with or without electric powers, in or outside the home but there assets do not exceed Rs.2 million. for example; carpet industry, poultry forming, hand and power loom industry, manufacturing of sports and leather goods, toy industry, agriculture implements etc." Cottage and small-scale industries contribution to the GDP is only 5%. There are certain problems associated with these industries that are mentioned. Profits are limited and they are mostly spent on the daily expenses of the owners. They do not have extra capital for expansion of these industrial units. Economies of scale are not available so production cost is higher. Goods produced in small-scale industries cannot compete in open market if the same goods are manufactured on a large scale. The wholesaler , who takes most of the profits, exploits the owners of the small-scale industry. In some cases goods are sold to wholesalers at cost price, which discourages the owners and they reduce the quality and quantity produced. In rural areas, where the electricity is not provided, small-scale industries are difficult to set up. Even the great fluctuation in voltage and power break-downs cause damage to the electric motor The commercial rates of electricity have also increased significantly which hinders the growth. The craftsman and artisan learns their skills and production methods from their elders. The provision of technical advice and further training is limited. The government is fully aware of the potential of cottage and small-scale industries for industrial development. The following organizations have been established to develop this sector of economy. Pakistan Small Industries Corporation (PSIC). Punjab Small Industries Corporation (PSIC). Sind Small Industries Corporation (SSIC). The Small Industries Development Board NWFP (SIDB). The Directorate of Small Industries Baluchistan (DSIB).The above organizations is taking the following measures: Establishment of industrial estates. Provide marketing facilities. Setting up of technical service centers. Establishing handicraft development centers and carpet centers. Providing per-investment counseling and guidance to newcomers. Providing local and foreign loan to small industry owners on easy installments. Cottage and small-scale industries are labor intensive and provide employment to 80% of the industrial labor force. This reduces the unemployment and offers opportunities for self employment. Traditionally, women are not encouraged to work outside their homes. Cottage or small-scale industries like carpet-weaving, candle making and handicrafts can be established in houses and women can be gainfully employed. This increases the active labor force. These industries also meet the local demands for industrial goods, and save foreign exchange spent in imports. There is a demand for rugs, carpets, brassware, handicrafts and embroidered work in the International market. These goods provide 30% of the export receipts of the manufacturing. When people are employed gainfully in villages, the migration of people from rural to urban areas will reduce. The acute problems of housing, sanitation, education, transport will be reduced in urban areas. Many districts are under-developed. With the expansion of such industries, the regional disparity in income can be reduced. These industries make effective use of local raw material which



also promotes primary industries like agriculture and mining Small-scale industry does not require much capital and high technology. I.T is suited to the traditional economic set-up. Cottage and small-scale industries do not use much imported material or equipment. The waste of large-scale industries, particularly the cotton, sugar and steel industries, can be used to make by-products.

<file:///C:/Users/dell/Desktop/Cottage%20and%20small%20scale%20industries%20in%20Pakistan%20-%20Wikipedia.html>

#### 4. CONCLUSION AND RECOMMENDATIONS

The study finally concludes that cottage and small scale industries has great scope in Pakistan. They generate employments for the nation and improve the balance of trade of the country. When Pakistan came into being the situation was a little bad while slowly gradually it developed and different corporation were established on province basis for enhancement of cottage and small scale industries. Among these corporation Pakistan Small Industries Corporation, Punjab Small Industries Corporation, Sind Small Industries Corporation were well known corporation in the country. The Small Industries Development Board NWFP and the Directorate of Small Industries Baluchistan establishment were also great steps for the development of cottage and small scale industries. These organization have worked day and night for the enhancement of cottage and small scale industries in different province of the country. Cottage and small scale industries owner faces majority problems in running the industries. Among these problems, high tax, High input Cost, Fund availability from the bank, un-peaceful environment, terrorism, transportation, raw material availability, loadshedding of electricity, international demand of the products and skilled labor in the market are the well known hurdles in the country. The government try best to solve these problem while still failed in its solution. So many programs were launched for its development while still not achieved the target objectives. The government establish administrative set up in the urban area and bring raw material from the rural sectors, so these program major effects was fell on the city while rural community was ignored from the benefits. Majority people from rural area migrated to city for the purpose of jobs, so the population pressure also came on city which make great problem for the urban dwellers in the long run. On the basis of problems the study recommend that free tax system should be imposed for cottage and small scale industrialization in the country; Subsidized and support price should be arranged for input and output products in the country; on easy term loan should be provided to industrial owner by bank in the study area; Peace protection should be provided in the industrial zone; Overcome on the terrorism is requested and transportation facility should be provided to industrial owner in the study area; Raw material should be provided to industrial owner on low cost and loadshedding problem should be solved and provide electricity on low cost to industrial owner in the study area; International demand of the commodity should be multiplied by government and skilled labors should be facilitated to industrial owner in the study area. Through this way Cottage and Small Scale Industrialization will be developed in the country. GDP will be improved. Employment problems will be solved. Income level of the people will be improved. The problem of terrorism will be solved. Education will be improved and health problem will be deceased while prosperity will be come in the country. The country will be most developed than before and it will be the role of Cottage and Small Scale industrialization, such like Korea, Singapore, and Japan.

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