

Essentiality of Capacity Building in the Cottage Industry of Pakistan: A synopsis of Challenges and Solutions

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Abstract

Capacity building is critical to the success and sustainability of cottage industries. It helps to improve the skills and knowledge of workers, increase productivity and efficiency, strengthens business practices, develop an entrepreneurial mind-set, and create a supportive business environment. Therefore, the aim of current study is to explore the relationship between capital access and cottage industry growth, to analyse the relation and importance of education and awareness with cottage industry growth and to explore the relation between technology and growth of cottage industry in Pakistan. The sample size of this quantitative study is 280 including Pakistani small entrepreneurs in Punjab. This study applied Anova test for data analysis by using SPSS. The framework shows that three factor can improve or reduce the growth of cottage industry such as education, technology, and capital access. The results of this study are in accordance with other similar studies which show that the model is feasible and the relationship exists positively and strongly between the variables selected. The government must also focus on opening more educational and training institution to improve the skills of people regarding opening cottage industries. This way, the small businesses industry will be able to absorb the problems and the lack of capital shocks. Cottage industry entrepreneurs should be given access to international markets and provisions should be made to link them with distributors and sellers.

Keywords: Cottage Industry, Manufacturing, Employment, Economic Growth, Small Industries

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■ 1.0 INTRODUCTION

The small-scale household manufacturing has been recorded to be the earliest forms of trade in the pre-industrialization. Small scale manufacturing done within households and by the members of the family is a century's hold concept which goes as far as to the times of barter trade. With the passage of time mass industrialization initiated with the idea of automation of manufacturing process to avail benefits of economies of scale, however, these small-scale cottage industries still prevailed parallel to the industrialized units and did not phase out due to their massive contribution in the sophisticated economic system. Today, these small-scale industries are recognized as cottage industry and have made significant contributions in creating self-employment opportunities and added advantage to the Gross Domestic Product (GDP) of a country. Therefore, 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 (Ahmed, 2008).

In Pakistan, most of people living in villages and rural areas are often self-sufficient in the basic necessities of life. This means that they can have their own carpenters, cobblers, cotton labour, and potters. There are thousands of families depending on the income of cottage industry in Pakistan that has gained significant popularity in both cities and small towns. In the country, there is an incredible demand for hand-woven products such as carpets, embroidered items, hand-made bangles, brassware, and rugs. These items can also be exported to other countries in South Asia to raise trade in the international markets. Even though the small-scale industry in Pakistan only contributes 5% to the overall GDP of the country, nonetheless, it ranks as a vital and indispensable industrial sector in the country today in terms of employment generation, raising exports, and creating better relationships and links with other sectors of the domestic economy (Ahmad, 2021). Therefore, cottage industry can not only help to generate more employment for women and children in Pakistan but can also help rural families to stand on their feet who live like vulnerable segments of our economy.

The establishment of cottage industry in rural areas of Pakistan will help Pakistani labour to earn more money

than in the past and also solve their unemployment issues. This will help to improve their income. Many scholars argue that Pakistani cottage and small-scale industries are facing problems such as high taxes, high input cost, and lack of funding (Shrestha, 2021). Banks are also not interested in financing small businesses.

Moreover, in the country, skilled labours are not facilitated to become industry owners and start their own businesses. There are thousands of industries which can be established in the rural areas of Pakistan to stop migration to cities. This will help rural people to find employment right at home and will also discourage mass relocation. Sadly, these issues have been ignored by the previous governments in the country that has resulted in the widespread relocation of people from rural areas to migrate to cities (Lyu et al., 2019)

For years, the cottage industry has addressed many of the prevailing socio-economic problems; poverty being one of the most confronting issues as well as enhanced wealth distribution amongst the population (Featherstone et al., 2019). Cottage industry is deemed as an essentiality for the progressive growth of developing countries. Manufacturing done under the small set-ups are usually labor intensive which earns a competitive advantage over industrial manufacturing; such products come at a relatively higher cost in developed countries as the labor-intensive work is intricate and carries a higher price tag in the international markets, hence by providing investments in cottage industry and giving access to the international markets, one can yield a higher rate of return.

Moreover, in the context of Silk Road Initiative, China-Pakistan Economic Corridor (CPEC) is a multidimensional project that is based on huge infrastructure development that can play a vital role in the economic growth of the country (Banerjee et al., 2020).

In Pakistan, infrastructure development is an essential requirement to promote development of rural people and this can lead to the growth of industrialization. This means that this initiative can play a sustainable for in Pakistan's development to enhance the socio-economic paradigm of Pakistan. This means that under the Belt Road initiative, the CPEC will enhance the socio-economic growth of the country that will allow Pakistan to achieve its sustainable development goals (SDGs) (Wahab, 2022). So, the CPEC is a multi-billion-dollar infrastructure and development project that aims to connect China's western region of Xinjiang to the Pakistani port of Gwadar through a network of highways, railways, and pipelines. The project is part of China's larger Belt and Road Initiative (BRI), which seeks to connect China with countries in Asia, Europe, and Africa through infrastructure development.

The CPEC project has been touted as a game-changer for Pakistan's economy, as it is expected to create thousands of jobs, attract foreign investment, and boost trade between China and Pakistan. The project includes the construction of highways, railways, and other transportation infrastructure, as well as the development of power plants, industrial zones, and other economic infrastructure. Since Pakistan is a developing country with an ambitious aim to race amongst the highly developing countries of the world, this target is only achievable if conducive environment and supportive policies are designed for all levels of trading units. There is no denial to the fact that massive industries produce large output levels which earns economies of scales leading to higher profits and makes a visible presence in the global markets; this undermines the vital role played by the small-scale industries which keeps many facets of the economy sustainable. So, CPEC project can play important role not only for making benefits to the working household in generating employment opportunities for the self-starters but also helps the governments in achieving the set targets for global development indexes which uplifts position in the world ranking.

■ 2.0 BACKGROUND

Cottage or household industry in the context of Pakistan holds a greater and significant importance in rural set-up. The amount of investment in cottage industry is not huge like corporations; it is normally defined by the investment required to start and the number of individuals employed (Fazal et al., 2021). The cottage industry falls into the category of small-scale business that is not centralized and is often involved in manufacturing operations. It is rather done at home instead of having a separate purpose-built facility. The cottage industry mostly focuses on the production of labor-intensive products and has a disadvantage while being compared to corporations and factory-based manufacturers. This is because cottage industry owners can only produce small-scale things and items instead of giving out mass-produce goods.

In the 16th Century, the concept of proto-industrialization emerged which highlighted the essential role played by the cottage industry in the provision of necessities. The small manufacturing and production units established in the rural areas, primarily within the boundaries of homes, specialized in producing value added wheat and rice products in the shape of assorted breads, dough and soups whereas dairy products were also cultured into yogurt, cheese and butter, etc. Gradually these home products paved way for mass productions in the industrialization era, whereas now, such home-produce goods are deemed as customized specialties associated with a region. The proto-industrialization did not remain restricted to food industry only rather textile and garments were also made. Hence, proto-industrialization was the initial forms of trade which existed in all types of societies (Xu et al., 2018) .

The Federal Board of Revenue FBR of Pakistan has defined the country's cottage industry to exclude those having an industrial gas or electricity connection. Moreover, the industry is also located in the residential areas of the country and can only have ten or less employees or producers. Finally, cottage industry's annual turnover cannot be greater than two million rupees (Shafi et al., 2020) . This means that these are the small-scale industries and businesses in Pakistan which have an amazing scope for the economy to grow and help people prosper in the long run. According

to Ahmed (2008), cottage industry can generate significant employment for the nation and can improve the balance of trade. The industry has the capability of employing almost 81% of the total labour force of the country. This means that the government must give utmost attention and importance to cottage industry to become a catalyst for success and economic development.

Unfortunately, Pakistan was established in a very bad situation when the industry was almost non-existent. The cottage industry grew slowly and became the most popular segment of the society. So far, very few studies have critically examined the small-scale industries in Pakistan. The country has always been weak in the field of industrialization and slowly was able to establish corporations and corporate culture back in the 1960s (Andaleeb, 2007). There is an immense need for uplifting of the cottage and small-scale industries in the country. There are some organizations such as Pakistan Small Industries Corporation and Punjab Small Industries Corporation who have been established in the beginning to foster industrial growth. The Small Industries Development Board NWFP along with the Directorate of Small Industries has also been around since 1948. The giant companies and big corporations have worked hard and strived for the advancement of cottage and small-scale industries in different province of the country (Aslam, 2013). In Sialkot Punjab, sports goods that are of export quality are made. Moreover, in Swat, embroidery goods are highly famous. In the Khyber Pakhtunkhwa province, the marble industry is highly proficient. Since Pakistan's majority of area is agriculture-based where farmers often work 180 hours due to unemployment and poverty, the start of Agro based industry is a viable idea for them to manufacture squash or poultry products at home.

Moreover, the restoration of the old Silk Road has a greater goal to reconnect China with Africa, and the Middle East to improve trade. The Silk Road initiative is going to benefit Europe through a vast railway network and airports in addition to roads and seaports (Akram et al., 2021). The system has been connected using the optical fiber; the BRI is based on One Belt system that has many components such as the One Road (OBOR) that is based on two parts of the BRI. There is the maritime Silk Road and the Silk Road economic belt. This plays a vital role in the China-Pakistan Economic Corridor (CPEC) that is linked with the OBOR that passes only through Pakistan and its completion allows safe and cheap route for China to import oil and energy (Menhas 2019).

■ 3.0 PROBLEM STATEMENT

Small and Medium Enterprises SMEs are very important for any developing economies. Cottage industry does not require any significant or huge finances to run these small businesses. This means in a developing country like Pakistan, they can easily be managed by the owners. Moreover, these are small and medium-sized enterprises that are mostly independently controlled and managed by their owners and have fewer employees. Unfortunately, considering the need and huge demand of setting up more cottage industries in Pakistan, there is a lack of a home-based purpose-built facility in Pakistan and the amount of investment to start such small businesses in every nook and corner of the country. Cottage industries often focus on the production of labor-intensive goods; however, Pakistani environment and people are facing a huge disadvantage when competing with factory-based manufacturers (Fazal et al., 2021). The high cost of production and setting up small businesses due to low savings and income of people is another hurdle of this initiative to thrive as an economic development enabler in the country. In Pakistan, Small and Medium Enterprises Development Authority – SMEDA is the foremost organization established by the Government of Pakistan. It is working under the Ministry of Industries & Production since 1998 and is rising up to the challenge of forming and maintaining Smaller & Medium Enterprises (SMEs) in the country.

However, there is no futuristic model or institution in Pakistan for the rise of cottage industry. The government of Pakistan is seeking to achieve its aim of becoming an upper-middle-income economy by 2025 (Shrestha, 2021). The growth of cottage industry is also vital for reduce poverty. The Vision 2025 of the government also has a provision for the growth of small business-like cottage industries. However, there is a lack of support of cottage industry in the middle of immense challenges for farmers and small entrepreneurs who needs encouragement to establish cottage industries and should be facilitated to register and to improve their production with quality initiatives to drive economic growth (Tara, 2020). Moreover, his employment of workers is not the only challenge relative to the establishment of cottage industries. The non-economic aspect of this problem is also huge due to not recognizing the psychological traits of talented people. Educated and talented people are facing frustration due to unemployment and the lack of capital availability is the major cause of the decline of cottage industry in Pakistan. Moreover, the Akram et al. (2021) argues that the new British education system is a contributory factor because people in cities are more Westernized and they look down upon villagers that is reducing the demand of indigenous products. Moreover, the comparison of machine-made goods is also making the image of hand-made goods weaker as people prefer machine-made goods from markets.

The lack of finance is the worst issue faced in the country by entrepreneurs willing to open their own businesses. The fact is that the cottage and small-scale industry is facing the problem of capital shortage (Zahid, 2021). In Pakistan, many banks and other capital offering financial institutions are not yet ready to offer comprehensive capital support to entrepreneurs and small business owners on low rate of interest. This is a huge hurdle in the way of establishing a small-scale industry for economic development under the belt road initiative. Finally, another problem is that Pakistan is facing a lack of education dilemma that is also impacting the growth of this sector. As () argues that the cottage industry cannot employ the qualified engineers and skilled professionals who spend time in universities and it can reduce the products' quality that is not preferred by urban people more inclined towards imported goods. Therefore, there are four major factors or shortcomings of cottage industry development in Pakistan including

education, capital availability, technology incorporation, and government support.

3.1 Research Objectives

- To explore and analyze the relationship between capital access and cottage industry growth in Pakistan
- *To analyze the relation and importance of education and awareness with cottage industry growth in Pakistan*
- *To explore the relation between technology and growth of cottage industry in Pakistan*

3.2 Research Questions

- What is the relationship between lack of capital and cottage industry growth in Pakistan?
- *What are the importance and relationship education and awareness of people with cottage industry's growth in Pakistan?*
- *What is the association between technology and growth of cottage industry in Pakistan?*

■ 4.0 LITERATURE REVIEW

1.1 The Challenges Of Promoting Cottage Industry In Pakistan

As mentioned, small scale industry has a significant scope in Pakistan. It can enhance the employment opportunities for the poor people living in both rural and urban areas. The country's population is growing that is increasing pressure on the people day by day living in cities and rural areas. Considering these problems and socioeconomic issues of Pakistani low-income people struggling to meet ends, scholars argue that the country should have a free tax system for improving the cottage and small-scale industrialization (Zahid, 2021). This means that subsidized and support price should be arranged for input and output products. The government should provide loans to people on easy instalments to people willing to invest in small-scale industries. The government should also create policies that are terrorism-free to help the industry prosper and grow. Industry owners should be offered raw materials at a low cost. The country also has a huge electricity load-shedding problem that needs a solution to provide electricity at low cost to these industries. Moreover, the problem of international quota should be multiplied by government for the small-scale industrial products.

Moreover, the study by Hamrick, (2019) argues that small businesses and the large business have similar factors that determine their failure or success. However, there is a great difference in capacity to bear shocks; this makes large companies and firms stronger compared to small businesses or cottage industries in Pakistan. The sustainability and growth of cottage industry is relying significantly on the efficient management practices of the government and the owners. This means that the industry must aim for a higher productivity by incorporating the use of the latest technology and skilled labor. However, it is not a piece of cake for Pakistani cottage industry owners to hire skilled labor and to purchase the latest equipment. They face many financial limitations and this is the reason they fail to prosper their businesses through job creation in the country.

The cottage industries are often led and flourished by their owners who provide the initial capital and after maturity they get the opportunity to get loan from banks (Tara, 2020). However, the financing of the cottage industry also is a great issue that requires financing during the period of growth... If the government provides easy access to capital market to the cottage industry, one of the major issues may be resolved 81. Moreover, there is a lack of business education in the whole country that is allowing employers in big corporations to exploit their employees unable to consider business as an option for living a sustainable life. According to Ahmad (2021), it is observed that education is not the most important factor in determining the success of cottage industry; however, it has a great correlation with the success of opening a business and setting up a business mindset in the country. This can limit entrepreneurs to choose export and favor the expansion of small cottage industries in the country.

There are numerous cases in which a dedicated focus on developing cottage industry resulted in elimination of many socio-economic issues. In the short term these successful models indicate the potential of cottage industries in uplifting the stature of families directly involved in household level manufacturing whereas in the long run these models have proven to assist in the following areas:

1. Increases employment
2. Helps in improving foreign exchange reserves
3. Creates diversity of products available in markets
4. Builds professional capacity of women
5. Develops backward and rural areas
6. Reduces migration burden on larger cities
7. Equities the wealth distribution

4.2 Global Patterns In The Cottage Industry Development

Currently published literature and research suggests that practically developing economies have utilized their cottage industries in order to emerge as economically sustainable countries (Fazal, 2021). People have relied on these small industries from generation of employment so that the economic indicators are adjusted to perform in the favor of

the country. Increased incomes through exports and enhancing women's participation in the economic development further gave an edge to advanced countries in creating a gender-neutral platform. Most of the developed first world countries are still in favor of preserving cottage industries; whereas developing countries term it as a necessity to reduce the burden of unemployment to promote welfare of common citizens.

In the twenty-first century, there are many successful models of the developing countries which have boosted their economic indicators through the provision of facilitative policies towards the cottage industry. The experts believe that cottage industry can be an assistive tool in the economic development of the countries of Africa and Asia. According to a United Nations Report, most of the African countries gained independence in the 1960's (Khalid, 2022). Most of these countries were extremely underdeveloped as was the case of Botswana which only had five-kilometer-long tarred road. The newly independent states were ambitious but lacked resource as well as expertise and hence introduced massive industrialization. It was soon released that the situation had become worst and most of the countries opted for structural adjustment programs by the IMF and World Bank. Most of the population in these countries was poverty stricken and only those having a skill at hand and access to the market were able to survive under the prevailing circumstances (Nye, 2023). This led to an increased focus towards cottage industry as the citizens looked for ways for self-sustainability. Mauritius is one such example where the government introduced market accessibility policies for the local small-scale entrepreneurs (Chattha, 2021).

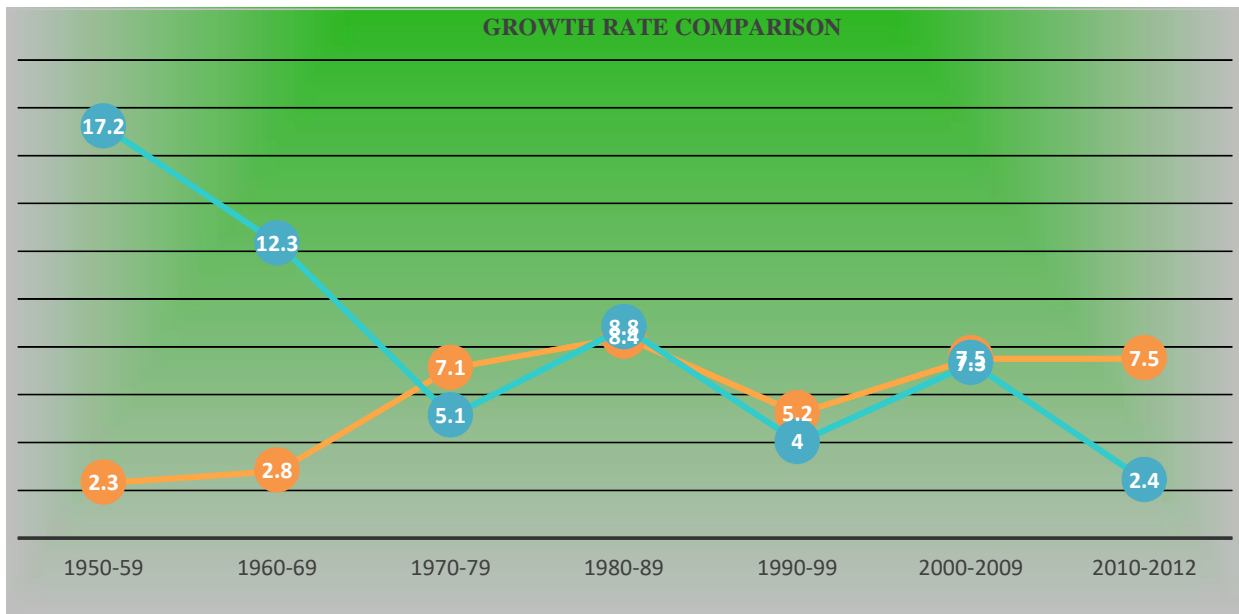
The cottage industry has helped to preserve traditional crafts and skills that might otherwise be lost in an increasingly industrialized world. By providing a means for individuals to earn a living by producing artisanal goods, the cottage industry can help to sustain cultural heritage and promote diversity in the global marketplace. In developing countries, the cottage industry has encouraged entrepreneurship and small business development, particularly in rural areas where access to markets and resources may be limited. This can help to build local economies and create more self-sufficient communities.

4.3 Economic Contributions

From the literature analyzed, it is observed that supporting the small and cottage industries prove to be beneficial for the national economy and the local governments in the long run. The economic advantages of small and cottage industries surpass the personal benefits attained by those individuals who are employed by it. Firstly, as the research suggests, there is no denial to that fact that small and cottage industries increase employment, reduces the national rate of unemployment and helps government boost opportunities of employment generation for those who are residing in the suburbs and rural areas. Through this medium, the national population is involved on a larger scale. Secondly, as cottage industries become mature, enabling international market access for such goods assists in improving the foreign exchange reserves. This is one of the most desirable factors for developing countries like Pakistan who are submerged in massive loans and are seeking ways out to reduce the interest burden. Providing market linkages of cottage industry products enhances local visibility in the international markets as well. This also assists in transforming the local workers from cottage industry to entrepreneurship where sophisticated modes of production are adopted through the extensive use of technology (Faza, 2021).

Cottage industries have also proven to be vital in creating diversity of products available in markets at comparatively competitive prices. This reduces the monopoly and increases the desire of the buyers to buy locally produce goods rather than paying a higher price for imported items. Apart from enhancing the economic capacity, cottage industries have also proven to build the professional capacity of women who lack education, are home bound and do not have access to child care facilities. Such women who have skill at hand have also been able to increase their capacity by increasing their household incomes and have also led to more gender parity. The growth rate comparison of small-scale and large-scale Industries is shown in the following graph. The graph indicates that there is rise and fall in pattern as cottage industry businesses in Pakistan struggle to access financing, which can make it difficult for them to invest in equipment, raw materials, and other resources needed to sustain and grow their businesses. There is great competition from imported goods. The rise of globalization has increased competition from cheaper imports, which can make it difficult for local cottage industry businesses to compete in terms of price and quality.

Poor infrastructure in Pakistan, including limited access to transportation, electricity, and water supply, can make it difficult for cottage industry businesses to operate efficiently and effectively from last few years.



Sources: Government of Pakistan, Pakistan Economic Survey Various years

4.4 Government Policies

The Government of Pakistan has always remained aware regarding the potential of Cottage industry in addressing several economic issues in the country; however, the policymakers lacked the competencies to bring in attractive strategies in materializing the potential in economic advantage (Ernst et al., 2019). However, in efforts to further support the cottage industries, the government has established the following organizations at various levels to utilize the optimum level of available potential of small-scale and cottage industries in the country:

- Pakistan small industries corporation (PSIC)
- Small and medium enterprises development authority (SMEDA)
- Punjab Small Industries Corporation
- Small industries development Board KPK (SIDB)
- Sind small industries corporation (SSIC)
- Directorate of small industries Baluchistan (DSIB)

The objectives of these organizations include establishing small industrial estates, providing marketing facilities, establishment of handicraft development centres and carpet centers, providing pre –investment counselling and guidance to newcomers, and provision of local and international loans to small industry owners on easy instalment (Khalid, 2022).

4.5 Potential of Cottage Industry under the CPEC

The data above shows that the cottage industry holds high potential in addressing many of the prevalent economic problems of Pakistan. Pakistan is a poverty-stricken country with 24.3 percent of its population residing below poverty line in 2015-16 (Khalid, 2022). This calls for pro-poor policies by the government in order to ensure their sustainability under tough economic conditions. The current economic and financial crises are another add-on to the array of issues being faced by the people of this country. According to the experts, the cottage industries are more common and successful in the rural settings and it is claimed to be one of the most effective models of generating economic activity in areas which are less developed (Joy & Kani, 2013). The China-Pakistan Economic Corridor (CPEC) is a major development project that has the potential to create new opportunities for the cottage industry in Pakistan. The CPEC project involves significant collaboration between Chinese and Pakistani businesses and government agencies, which could facilitate the transfer of technology and skills between the two countries. This could help to improve the productivity and competitiveness of cottage industry businesses in Pakistan.

4.6 The Role Of Belt Road Initiative (BRI)

The beauty of the Belt and Road Initiative (BRI) is that it has aimed to revive and uplift the least developed economics of the world. This objective is good enough to realize the fact that the Chinese are encouraging generation of economic activities in those regions and areas which remained away from any such opportunities. The aim to extend the benefits to the single most individual involved in making this project a reality is the core phenomenon of this idea rather than benefiting the rich through elitist policies. The China-Pakistan Economic Corridor (CPEC) constitutes to one-sixth

of the entire project which accumulates to approximately 65 billion USD (Fazal et al., 2021). If the essence of CPEC is realized in its true spirit along with the implementation of pro-poor policies by the Pakistani government, it is possible for the government to achieve its ambition of becoming the fastest developing economy of the world. The CPEC provides ample of opportunities to uplift the far-flung areas of Pakistan as a detailed infrastructural network in the shape of motorways and highways have been laid down.

The households which remained inaccessible have more opportunities and scope to establish their contact with the regional economic hubs if policies are drafted and implemented to uplift cottage industries so that the households and communities are made self-sustainable. This extends two advantages; firstly, the governments can reduce their welfare expenditures and secondly the generation of economic activity contributes to the overall wellbeing of the economy of the country. Further to it, according to an analysis conducted by Christian Zhang in ‘The Belt and Road’s Biggest Impact; Small, High-Risk Markets’, it is evident that small industrial units are quickly converting into larger industrial units and the gap created by the absence of small industrial units is paving way for capacity and opportunity for the cottage industry to expand and fill the void (Zahid, 2021).

4.7 CPEC Routes and Cottage Industry Clusters

As part of the CPEC initiative, the Pakistani government has identified several cottage industry clusters along the corridor routes to promote small-scale industries and boost economic activity. These clusters are explained below in a table

Table 4.7: CPEC Routes and Cottage Industry Clusters

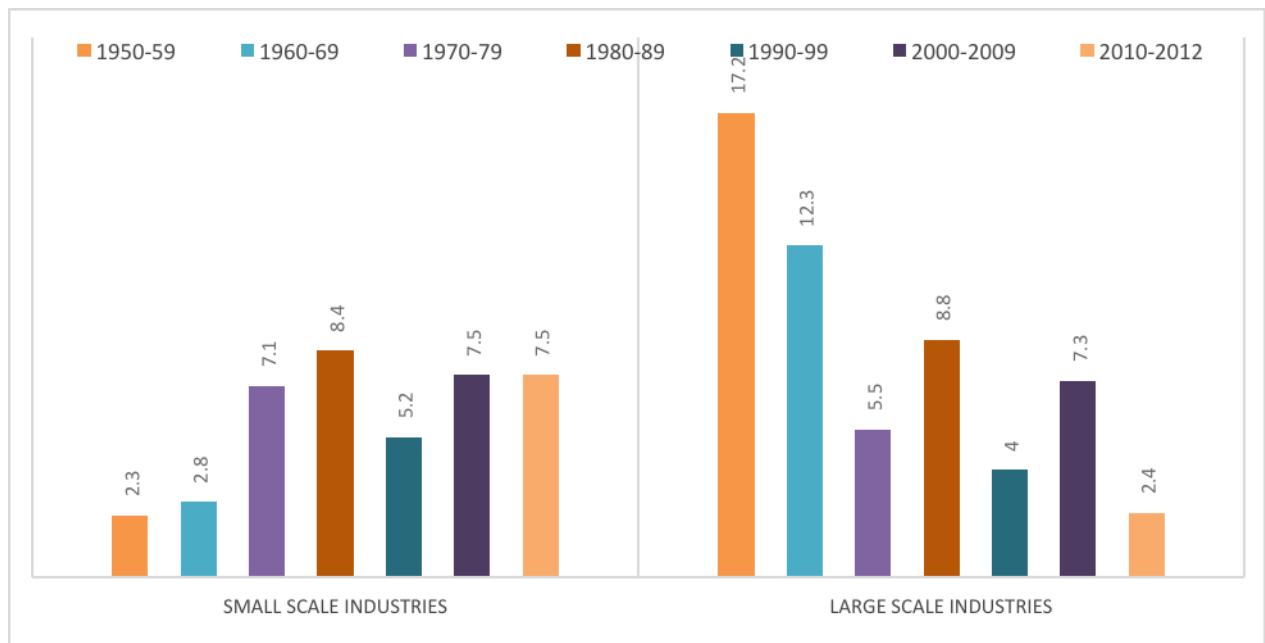
Cottage industry clusters	Feature
CARPETS	In the small-scale industries, the most important is the Carpet weaving and its center is located almost all over the Pakistan, however, the patterns change as the diversity and culture of the region changes. This could be one of the most thriving industries if proper attention is given. Where, on the other hand, it has been recorded that women contribute most in this art of weaving.
TEXTILES	Since the inception textile has been the most productive part in country with variability of design and techniques. The most famous among them are Khaddar, Susi, Khes, Chunri, Boski, Karandi, and these commodities have huge potential in Punjab whenever, Shawl, and Ajrak produce in Sindh and have great potential for export in international market (Akram, et al., 2021).
HANDICRAFTS AND EMBROIDERY	Pakistani handicrafts have a good reputation in the European, US and as well Asian markets. Although it has potential in every region of the country in order to the culture of every specific region the major contributor of handicraft and embroidery is Sindh. Handicrafts and Embroidery has developed into a great art with distinctive regional designs and patterns (Moulabuksh, 2022).
GEMS AND JEWELS	Pakistan has a good edge for the gems and jewelry sector, the availability of gemstone as raw material is abundant and have the additional factor of low cost of production, talented, energetic, and hardworking artisans are there. Gold and silver smiths 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, pitchers, bowls, jugs, plates, and pots seen today are almost identical to those uncovered at archaeological sites around the country. Distinctive glazed blue tiles are used to decorate many of the great mosques in Pakistan (Hamrick, 2019).
CUTLERY	The cutlery goods are produced at vast level in Punjab especially in Wazirabad which is also known as the city of cutlery in Pakistan. High quality steel items are produced here but its potential has not been tapped in the direction of a profitable venture. The analysis of the data shows that Pakistan’s share in global exports is a mere 0.55% despite the potential (Tara, 2020).
WOODWORK	The woodworks industry is another extremely potential industry in Pakistan. Pakistani made architectural woodwork and furniture is well standard and acknowledged in international market. Many cities of Gilgit Baltistan, Swat valley in KP and Chiniot in Punjab are the major hubs of woodworks (Shrestha, 2021).
SPORTS GOODS	The sports goods manufacturing sector of Pakistan gained immense reputation in the international market. In the beginning it emerged as a cottage industry but now this industry has become a very well-developed manufacturing industry Pakistan especially around in Sialkot city of Punjab. Export destinations for sports goods include Germany, USA, UK, France, Italy, Brazil, Argentina, Mexico, Spain, Netherlands, Hong Kong, Denmark, Canada, Belgium, Australia, South Africa, UAE and Chile, etc. (Ahmad, 2021). Pakistani made football used in the Football world cup 2022 held in Qatar.
SURGICAL INSTRUMENTS	Surgical industry of Pakistan dates back to the 19th century when some British doctors got to know about the skilled workers of Sialkot after getting some surgical instruments

	repaired by the skilled workers of Sialkot. This was the founding occasion of the emergence of this surgical industry. During 2010-2011 Pakistan exported Surgical & Medical instruments worth USD 260.60 million. This shows an increase of 13.7% over 2009-2010 export figures of 229.20 million.
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4.8 Challenges Of Cottage Industry In Pakistan

As observed in the case of Pakistan, the country has limited city centers and for access to better facilities, health care, education and employment opportunities, the population movement from rural to metropolitan cities results in extensive mismanagement for the local government, but not the least, cottage industries also equities the wealth distribution to less developed zones of the country. For example, the data available on the growth rate of cottage industry in manufacturing from 1950 to 2012 shows that the growth rate of small industries remained steady as compared to the large-scale industrial units, one of the reasons could be the increased inclination of the world population towards customized, value added, home grown or organic products (Graph 1.1). Meanwhile Graph 1.2 represents the fact that small scale industries produced more jobs as compared to large scale industry.

GROWTH RATE CHART



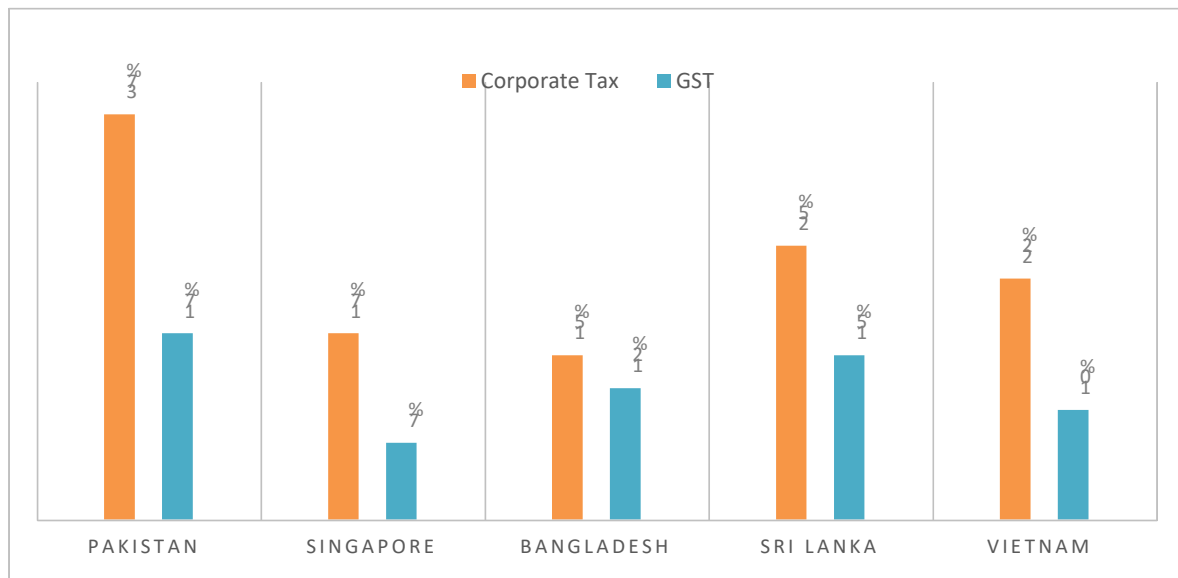
Sources: Issues in Pakistan Economy 3rd Edition

While discussing the capacity building of the cottage industry of Pakistan, the policymakers, implementers as well as the households are confronted with numerous challenges. The above literature highlights the essentiality of having a thriving cottage industry especially for the developing countries as it assists in rectifying many of the prevalent issues; however, it is easier said than done. Following are the challenges which Pakistan is facing at the moment with regards to its cottage industry:

- Capacity is there, however, we lack awareness and education which has been one of the major issues in the promotion of cottage industry and self-employment in the country. Pakistan has one of the most resourceful and talented individuals but the strategies to derive the best out of them is lacking.
- There is a lack of availability of local markets for promotion of goods; for instance, there are only seven handicrafts' shops in entire Punjab for displaying handicrafts (Shrestha, 2021).
- Since the independence, Pakistan's lack of attention towards developing road infrastructure incurred numerous losses which the policymakers could not realize. Now under the CPEC, massive expansion of road infrastructure has already started witnessing the exponential boost in generating economic activity as more regional connectivity has enhanced under reduced time. The economics experts believe that in years to come, the road infrastructure of Pakistan will be the primary factor in generating trade activities.
- There is no concept of vocational training in Pakistan, the government operated Technical Education & Vocational Training Authority (TEVTA) is also losing its significance and credibility (Ahmad, 2021). It is the largest technical training authority but unfortunately it is only focused on providing trainings for job enhancement and not skills-based.
- High Tax ratio is another concern as the policies drafted are focused on generating more revenues from

the already taxpaying groups rather than increasing the tax filer's base, hence the entire burden is born by those who are already paying the taxes. This strategy makes Pakistan categorize as a high tax ratio country. The following paragraph is showing the tax comparison of different countries.

TAX COMPARISON CHART



Sources: Contours of new Industrial Policy

- Securing a loan has always remained as a problematic task, but in the context of Pakistan access to loan is next to impossible for the households which have no strong financial background or securities to place with the banks. This makes loans inaccessible for the households involved in cottage industry as banks associate uncertainties with such businesses. Hence, the lack of supportive policies under loan providing schemes need to be reconsidered so that individual households can also attain advantage out of it (Cruz, 2012).

4.9 More Subtle Challenges

EDUCATION AND TRAINING

The fact remains that cottage industry owner in Pakistan are still and quite reluctant in investing in human resources' education and capacity building. They believe a fast notion that investing in education is just an increased expense of the organization that the owners have to pay from their pockets. Moreover, once the labor will gain skills, they may ask for better wages or look for better opportunities out there (Degryse, 2012). This creates a lack of skills development in the existing labor. Moreover, the lack of education also plays a vital role in the country to help people realize the importance of opening small businesses. People are unhappy in their nine to five jobs but still not taking any initiatives to become financially independent. Business education is extremely important in the country among workers to it has a direct correlation with the success of any entrepreneurship venture (D'Este, 2012). This means the lack of education is prohibiting this industry to grow and flourish in the country.

TECHNOLOGY LEARNING AND INCORPORATION

In many countries, governments are trying to provide finances to cottage industries by providing them equipment for introducing the information and communications technology (ICT) innovations. The ICT has been given much importance in the perspective of education and training recently to promote industries in Pakistan. Through distance education and in-school learning, Pakistan has a long way to go to learn new technologies to enable its workers become more IT savvy (Hatten, 2015). However, for cottage industries, the question still remains unanswered whether the owners will make use of technology ever much like the banking sector or e-government? We need to revolutionize the cottage industry sector by incorporating technologies and new tools and machines to improve the evolution process and help people to gain advantage from this change. The use of cheap and outdated technologies is still a huge issue that the country must solve and remove in order to grow and thrive as an economy.

CAPITAL ACCESS ISSUE

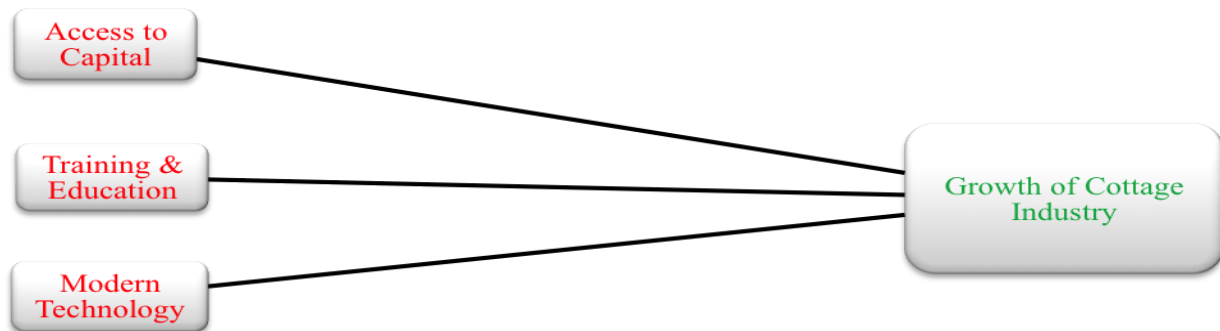
No doubt that Pakistan is in need of foreign direct investment (FDI), however, one can seriously argue to ability or the role of Pakistani government regarding improving funding for cottage industry. The lack of capital is an evident and significant problem for this industry to flourish in the next ten years (Hutchinson, 2004). The government so far has

not been able to fulfill its promises regarding capital availability to flourish the cottage industry. People also look apprehensive of the possible annihilation of small businesses due to lack of FDI. It is evident from the evidence that the country has not been able to best utilize the available resources adequately to promote the cottage industry; moreover, there is an acute the lack of skilled manpower and capital resources. This is the reason why the World Bank ranks Pakistan as the least-developed countries with Nepal in the Asian region (Janda, 2014). Therefore, there is a role of foreign investment that is much needed to give impetus to mega projects as well as the cottage industry of Pakistan. This will provide a leg-up to small entrepreneurs in Pakistan to expand their abilities to reach wider markets through handicraft businesses. Otherwise, Pakistan will still lose grip in the industrial sector to compete with the rest of the developed world.

■ 6.0 METHODOLOGY

The current study uses a pre-determined survey questionnaire as a research instrument for the collection of data purpose. The questionnaire is developed related to this correlational study because it is the best technique for quantitative studies (Katz & Green). The sample's participants are cottage industry owners in Pakistan who have rated the variables such as technology, capital access, and education on the basis of their experience. The sample size was 280 received from the respondents. Since the response rate was significant, the researchers used the SPSS tool to run regression analysis to measure the Growth of Cottage Industry as the dependent variable.

6.1 CONCEPTUAL FRAMEWORK



■ 7.0 DATA ANALYSIS

The regression equation is as follows:

- $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$
- The following variables are chosen as per the conceptual framework:
- Y is the Cottage Industry Growth in Pakistan
- X1 is the Capital access
- X2 is the Education and Training
- X3 refers to Technology

The following table shows the regression results:

TABLE 7.1: REGRESSION RESULTS

Model	R	R Square	Adjusted R Square	Standard Error	Durbin-Watson
1	0.912	0.845	0.801	0.401	1.914

The values of regression table and correlation are calculated in this study. The results show that there is a strong and positive relationship between these variables and the value of Durbin-Watson. The Durbin-Watson value 1.914 shows that it is between 1.75 to 2.25 that denies a possibility of high autocorrelation (Ojah, 2010).

TABLE 7. 2: ANOVA

Model	Sum of Squares	F	Significance
1 Regression	68.253	24.905	0.000

In the ANOVA table, the values mentioned show that F value is greater than 5; this means that the model fits well. This F value also implies that the significance is also zero that shows the overall viability of the model.

■ 8.0 DISCUSSION

The research shows that on the basis of the responses from these owners in Punjab province, all our independent variables have a positive and strong impact on the growth of cottage industry. This means that the study's results are complying with the findings of other scholars and researchers we reviewed. This means that Pakistani government must try to improve the education of people to invest more in the cottage industry and persuade existing owners to incorporate the significant factors in their business models (Philip, 2011). Moreover, the role of the government is crucial in making good policies to provide easy capital access to the cottage industry owners and young people willing to start their own businesses.

The government must also focus on opening more educational and training institution to improve the skills of people regarding opening cottage industries. This way, the small businesses industry will be able to absorb the problems and the lack of capital shocks. The owners must let go of the old outdated machines and incorporate latest technologies (Riaz et al., 2012). From the literature available on the small and cottage industries, it is evident that such initiatives prove too beneficial in the developing countries as they face tremendous economic and social constraints while being resource restraint. This will improve the scope and growth of the cottage industry in Pakistan.

Finally, there is a need for the policymakers and the government bodies to introduce simplified processes such as one window operation. If one window operations are not feasible then the processes should be made accessible and simplified so that the individuals who lack education and capacity are also able to reach out for assistance and are guided in a right manner (Riaz, 2012).

The government should also focus on the provision of technical and vocational training centers as mentioned above. Projects such as 'Training of Trainers' can also be initiated where people belonging from rural areas are trained to further train people from their communities, this can also help in ensuring quality (Tundui, 2012).

The workers should be made given basic education on the policies made to facilitate them so that they are aware of their rights, processes and procedures. The government can introduce schemes to give rebates and subsidies for the promotion of cottage industry.

Last but not the least, the government should place in efforts to create specializing hubs such as carpets of Baluchistan are famous worldwide hence the government should be dedicated towards providing training and capacity building of the locals towards improving carpet weaving (Slater, 2013). Cottage industry entrepreneurs should be given access to international markets and provisions should be made to link them with distributors and sellers.

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