Rural industrial activities can be divided into the following three categories:

1. small-scale cottage activities,
2. medium-scale village enterprises, and
3. large-scale rural industries.

This classification can be carried out on the basis of the following criteria: Location; ownership; labour source and organization; complexity of technology used; scale of production; regularity of production; form of organization; flexibility of energy source and use.

**Cottage Industries:**

Cottage industry is a concentrated form of small scale industry that can be started with very low investments. Cottage industry is generally unorganized and the production of goods takes place in the houses of labourers using conventional methods. The cottage industry has its origin in rural areas where unemployment and underemployment are prevalent. It helps the Indian economy by involving the other unemployed workforce of rural areas.

To work towards the development of Cottage and small scale industries, the government of India has set up numerous agencies like Khadi and Village Industries Commission, All India Handicrafts Board, AH India-Handloom Board, and Central Silk Board, etc. To provide service and support to cottage industries at district level the government has set up District industries centres. In a nutshell, Cottage industry brings in the economic development of any local geographical area and gradually the nation as a whole and hence it is important to support and encourage its existence.

**Small Scale Industries and Cottage Industries - Comparison**

- Small scale industries and cottage industries slightly differ depending upon their features, location and ownership.
- Small scale industries are mostly located in urban and semi-urban areas whereas cottage industries are more concentrated in rural areas.
- Small scale industries are slightly larger and hire employees to work but cottage industries are mostly run by members of the family.
- Cottage industries are not mass producers it mainly focuses on meeting the local needs. Small scale industry focuses and covers a wider range of product and areas.
- Cottage industry involves very low investments as it uses basic tools and conventional methods for production. Small scale industry uses full equipped machinery and their investments range from 60 lakhs to 3crores.
- Small scale businesses are well organised and run by professionals however cottage industries are unorganised.

**Types of Cottage Industries In India**
Cotton Weaving: It is the most important cottage industry in India as cotton clothes are widely worn across the country. It is mainly concentrated in Maharashtra, Tamil Nadu, and Gujarat. The vibrant colour, traditional designs, variety of patterns increases the demand for cotton clothes in the country.

Silk Weaving: India is a major producer and exporter of silk. 70% of the total silk weaving industries is situated in Karnataka. Mulberry, Tassore, Muga, and Eri are the different types of silks produced in the country.

Carpet Making: The origin of the carpet making industry dates back to the Mughal era. It is mainly found in Kashmir, Rajasthan, Punjab, Uttar Pradesh, Andhra Pradesh, and Punjab. Kashmiri carpet, durries and coir carpet are in great demand owing to its superior quality and texture. The Carpet export council has been set up by the Indian government for promoting the knotted rugs and various other types of floor coverings from across the country.

Leather Works: The regions of India famous for leather production are Tamil Nadu, West Bengal, and Uttar Pradesh. India is the major supplier of high-quality leather and meets around 10% of the global leather demands.

Metal Works: Indian metal handicrafts are appreciated worldwide and it is a major contributor to the Indian economy.

Challenges Faced By Indian Cottage Industry

- Cottage industry faces competition from medium and large industries which uses high-end technologies for production.
- There is an urgent need for the implementation of modern technology which not only enhances productivity but also develops skills of the labourers to meet the requirements of the local market.
- As most of the cottage industries are located in rural areas, the implementation of modern marketing strategies is difficult.
- The availability of raw materials is limited to specific seasons and it decreases with time.

The Micro, Small and Medium Enterprises Development (Amendment) Bill, 2018

- The Micro, Small and Medium Enterprises Development (Amendment) Bill, 2018 was introduced in Lok Sabha by the Minister of State for Micro, Small and Medium Enterprises, Mr. Giriraj Singh on July 23, 2018. The Bill amends the Micro, Small and Medium Enterprises Development Act, 2006. The Act classifies and regulates enterprises as micro, small and medium enterprises.
The Act classifies micro, small and medium enterprises (MSMEs) on the basis of investment in: (i) plant and machinery, for enterprises engaged in the manufacturing or production of goods, and (ii) equipment, for enterprises providing services.

The Bill introduces a uniform classification for all MSMEs. Under the Bill, all MSMEs, whether they are manufacturing or service-providing enterprises, will be classified on the basis of their annual turnover.

The changes in the classification of MSMEs are given in Table 1.

Table 1: Classification of enterprises as micro, small and medium enterprises (in Rs)

<table>
<thead>
<tr>
<th>Type of Enterprise</th>
<th>2006 Act</th>
<th>2018 Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manufacturing</td>
<td>Services</td>
</tr>
<tr>
<td></td>
<td>Investment in Plant and Machinery</td>
<td>Investment in Equipment</td>
</tr>
<tr>
<td>Micro</td>
<td>25 lakh</td>
<td>10 lakh</td>
</tr>
<tr>
<td>Small</td>
<td>25 lakh to 5 crore</td>
<td>10 lakh to 2 crore</td>
</tr>
<tr>
<td>Medium</td>
<td>5 to 10 crore</td>
<td>2 to 5 crore</td>
</tr>
</tbody>
</table>

The central government may change these annual turnover limits through a notification. The maximum turnover may be up to three times the limits specified in the Bill.

Under the Act, the central government may classify micro, tiny or village enterprises as small enterprises. The Bill seeks to extend this to allow the classification of micro, tiny or village enterprises as small as well as medium enterprises.

**National Rural Employment Guarantee Act, (NREGA),2005**

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), also known as Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) is Indian legislation enacted on August 25, 2005. The MGNREGA provides a legal guarantee for one
hundred days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage.

The Ministry of Rural Development (MRD), Govt of India is monitoring the entire implementation of this scheme in association with state governments

**Objective of the Act**

The objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

**Coverage**

Thus NREGA covers the entire country with the exception of districts that have a hundred percent urban population.

**Salient Features of the Act**

- Adult members of a rural household, willing to do unskilled manual work, may apply for registration in writing or orally to the local Gram Panchayat
- The Gram Panchayat after due verification will issue a Job Card. The Job Card will bear the photograph of all adult members of the household willing to work under MGNREGA and is free of cost
- The Job Card should be issued within 15 days of application.
- A Job Card holder may submit a written application for employment to the Gram Panchayat, stating the time and duration for which work is sought. The minimum days of employment have to be at least fourteen.
- The Gram Panchayat will issue a dated receipt of the written application for employment, against which the guarantee of providing employment within 15 days operates
- Employment will be given within 15 days of application for work, if it is not then daily unemployment allowance as per the Act, has to be paid liability of payment of unemployment allowance is of the States.
- Work should ordinarily be provided within 5 km radius of the village. In case work is provided beyond 5 km, extra wages of 10% are payable to meet additional transportation and living expenses
- Wages are to be paid according to the Minimum Wages Act 1948 for agricultural labourers in the State, unless the Centre notifies a wage rate which will not be less than Rs. 60/ per day. Equal wages will be provided to both men and women.
- Wages are to be paid according to piece rate or daily rate. Disbursement of wages has to be done on weekly basis and not beyond a fortnight in any case
- At least one-third beneficiaries shall be women who have registered and requested work under the scheme.
- Work site facilities such as crèche, drinking water, shade have to be provided
- The shelf of projects for a village will be recommended by the gram sabha and approved by the Zilla panchayat.
- At least 50% of works will be allotted to Gram Panchayats for execution
- Permissible works predominantly include water and soil conservation, afforestation and land development works
- A 60:40 wage and material ratio has to be maintained. No contractors and machinery is
allowed

- The Central Government bears the 100 percent wage cost of unskilled manual labour and 75 percent of the material cost including the wages of skilled and semi-skilled workers
- Social Audit has to be done by the Gram Sabha
- Grievance redressal mechanisms have to be put in place for ensuring a responsive implementation process
- All accounts and records relating to the Scheme should be available for public scrutiny