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Alleviation of rural poverty by cottage industry clusters

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Abstract

Poverty is an old phenomenon and it requires a prolonged process to be averted from the society. Numerous principles have been depicted in order to alleviate this social malignancy; although still more than a billion¹ of poverty stricken people are wondering on this planet. This article focuses on the possibility of reduction of poverty of the rural people with reviving the age old cottage industries in the villages. A clan of rural artisans with similar trade can create a lot of opportunities for higher income and newer possibilities may emerge as further proposition. More than that, these cottage industries are nothing new to them, rather being inherited for generations. So, there is only requirement of assisting them by the introduction of conducive atmosphere and providing them the required mental & technical support to get out of the vicious cycle. The cumulative effort of the group may decrease the amount of obstacles to a large extent. The possibility of betterment of lifestyle of the rural artisans is the sole concept of this article.

Keywords: *Poverty, Human Poverty Index, Cottage industry, Cluster Approach, Common Facility Centre*

Introduction: The beautiful mother world is constantly providing all the natural resources to fulfil the needs of its inhabitants. Since the inception of human civilisation & industrialisation, some men have been misusing & abusing all these resources for their personal gains. This wrong doings have given birth to a special clan of shrewd self centred rich people who have brought the resources to come to their way in an unscrupulous manner in order to accumulate wealth. This process has painfully created a marginalised group of people who are deprived of all kind of amenities to run even a descent lifestyle. Moreover, mere subsistence level of living has become hard to come by for them. The resources created by nature have become somewhat forbidden for them as some wealthy businessman have patented them too for their monetary benefit. This underprivileged clan of people, dispersed spatially over the globe, are what we call poor people.

What Is Poverty?

Poverty is about not having enough money to meet basic needs including food, clothing and shelter. However, poverty is more, much more than just not having enough money.

The World Bank Organization describes poverty in this way:

“Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is

*not having a job, is fear for the future, living one day at a time. Poverty has many faces, changing from place to place and across time, and has been described in many ways. Most often, poverty is a situation people want to escape. So poverty is a call to action -- for the poor and the wealthy alike -- a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities."*²

In addition to a lack of money, poverty is about not being able to participate in recreational activities; not being able to send children on a day trip with their schoolmates or to a birthday party; not being able to pay for medications for an illness. These are all costs of being poor. Those people who are barely able to pay for food and shelter simply can't consider these other expenses. When people are excluded within a society, when they are not well educated and when they have a higher incidence of illness, there are negative consequences for society. We all pay the price for poverty. The increased cost on the health system, the justice system and other systems that provide supports to those living in poverty has an impact on our economy. While much progress has been made in measuring and analyzing poverty, the World Bank Organization is doing more work to identify indicators for the other dimensions of poverty. This work includes identifying social indicators to track education, health, access to services, vulnerability, and social exclusion. There is no one cause of poverty, and the results of it are different in every case. Poverty varies considerably, depending on the situation. Feeling poor in Canada is different from living in poverty in Russia or Zimbabwe. The differences between rich and poor within the borders of a country can also be great. Despite the many definitions, one thing is certain; poverty is a complex societal issue. No matter how poverty is defined, it can be agreed that it is an issue that requires everyone's attention. It is important that all members of our society work together to provide the opportunities for all our members to reach their full potential. It helps all of us to help one another.

The **Human Poverty Index (HPI)** was an indication of the standard of living in a country, developed by the United Nations (UN) to complement the Human Development Index (HDI) and was first reported as part of the Human Development Report in 1997. It was considered to better reflect the extent of deprivation in developed countries compared to the HDI. In 2010 it was supplanted by the UN's Multidimensional Poverty Index.

The HPI concentrates on the deprivation in the three essential elements of human life already reflected in the HDI: longevity, knowledge and a decent standard of living. The HPI is derived separately for developing countries (HPI-1) and a group of select high-income OECD countries (HPI-2) to better reflect socio-economic differences and also the widely different measures of deprivation in the two groups:-

For developing countries (HPI-1): The Human Development Reports website summarizes this as "A composite index measuring deprivations in the three basic dimensions captured in the human development index — a long and healthy life, knowledge and a decent standard of living." The formula for calculating it is:

$$HPI-1 = \left[\frac{1}{3} (P_1^\alpha + P_2^\alpha + P_3^\alpha) \right]^{\frac{1}{\alpha}}$$

P_1 : Probability at birth of not surviving to age 40 (times 100)

P_2 : Adult illiteracy rate

P_3 : Unweighted average of population without sustainable access to an improved water source and children under weight for age

α : 3

For selected high-income OECD countries (HPI-2): The Human Development Reports website summarizes this as "A composite index measuring deprivations in the four basic dimensions captured in the human development index — a long and healthy life, knowledge and a decent standard of living — and also capturing SOCIAL EXCLUSION." The formula for calculating it is:

$$\text{HPI-2} = \left[\frac{1}{4} (P_1^\alpha + P_2^\alpha + P_3^\alpha + P_4^\alpha) \right]^{\frac{1}{\alpha}}$$

P_1 : Probability at birth of not surviving to age 60 (times 100)

P_2 : Adults lacking functional literacy skills

P_3 : Population below income poverty line (50% of median adjusted household disposable income)

P_4 : Rate of long-term unemployment (lasting 12 months or more)

α : 3³

To be Specific: Poverty in Rural Sector: Village studies offer support to the general perception of slowly declining poverty in rural areas. Several village studies indicate that although poverty has declined across the Green Revolution period, there is considerable movement in and out of poverty. Some of this movement can be attributed to the year-to-year fluctuations in harvest quality, and can also be linked to transient factors such as illness, etc. However, those households which are highly represented among the long-term poor include households reliant on agricultural labor as an important source of income, and households of the disadvantaged castes. Some village studies have indicated that even in situations where poverty does not appear to have fallen in income terms, scrutiny of other aspects of rural living standards suggest that living standards of even the poor have improved. These studies point to the increased ownership of consumer durables, and consumption patterns which have shifted towards higher quality goods. Many studies also point to a perception among rural populations of gradually improving living conditions. The rural poor often single out their reduced dependence on patrons as an important aspect of their improving living conditions. Although overall poverty in rural areas appears to be in decline, as a consequence of growth and diversification, village studies also remind us that there remain many forces which can result in pockets of rising poverty. One of the important factors behind the general decline in poverty has been a steady rise in agricultural wages over time. In settings where, due to high population growth, rapid in-migration or stagnation of the on agricultural sector, the agricultural labor force has increased in size, the rise in agricultural wages may not be forthcoming—and wages could even decline. Harvest fluctuations can also result in temporary, but significant, increases in poverty. Instances of drought in rural India are common, and can spell dramatic increases in poverty.

While the expansion of irrigation has probably contributed to some dampening of such harvest fluctuations, it is also important to recall that groundwater tables can fluctuate with the quality of the monsoon, and that aquifers can be overexploited. Finally, cases of impoverishment are likely to continue to occur across rural India as long as there exist no safety nets to protect against illness, disability, widowhood, and similar household or personal circumstances. It remains to be stressed therefore, that in absolute terms, while the direction of change is right, poverty in many rural villages (defined in either narrow or broad terms) remains extremely high.⁴

Why Cottage Industry To Alleviate Poverty?

Before urbanisation & industrialisation across the world, as we can see, the societies everywhere on this planet were basically village centric. And more often than not, those

villages were self sufficient; i.e., the requirements of the villagers were met by the produces manufactured by the rural artisans of that particular village itself. This implies that the demand & supply balance was maintained in most cases. The artisans used to get their purchasers and also the remains were sent to adjacent villages. It was a settled process for rural artisans, be it weavers, be it potters or be it smiths.

The colonialism by some powerful countries during fifteenth to twentieth century round the world has made some catastrophic changes in the livelihood of rural artisans round the world. The push sell concept literally emerged during this very period when the glory of rural handicrafts manufactured by the cottage industries were purposefully devastated by the foreign rulers, who for sheer greediness, promoted their own factory made low quality cheap goods for utilisation of the ruled countries. These artisans including weavers, potters, smiths etc. were affected most badly; they lost their job, even tortured to give up their trade.⁵

At present time, the age old rural cottage industries has not diminished fully, although in some cases these industries were hit badly. But revival is a strong possibility with the introduction of new technological knowhow. Boosting up these cottage industries will not only rehabilitate these artisans properly but also will attract new enthusiasts to come to these trades leading to an overall development of the trade itself.

Effect of Cottage Industry Clusters in Poverty Reduction: Industrial clusters lend themselves to poverty concerns, both—directly—through employment, incomes and well-being generated for the working poor, and indirectly, through their wider impacts on the local economy. Conceptually, clusters and poverty are related in three distinct ways. Through cluster features, cluster processes, and cluster dynamics. Certain types of clusters may have a more direct impact on poverty. These include clusters in rural areas and in the urban informal economy, clusters that have a preponderance of SMEs, microenterprises and home-workers, clusters in labour intensive sectors and clusters that employ women, migrants and unskilled labour. Agglomeration economies reduce costs and raise the capabilities of workers and producers. Cluster joint action takes such capabilities further, strengthening capacity of local firms and reducing vulnerability to external shocks. But, cluster growth produce winners and losers amongst firms and workers. For a poverty agenda, it is critical to note which types of firms and workers gain over time and which lose. Few cluster studies have explicitly addressed poverty concerns. A review of existing evidence underlines the relationship between clusters and poverty. There is substantial evidence that clusters generate employment and incomes for the poor in the developing world, and on their growth dynamics. It is in the more advanced clusters that evolved from poorer incipient clusters, that employment growth is most substantial. The limited evidence on counterfactuals suggests a relationship between clustering and gains in employment and incomes.

After the industrial revolution, mass production in factories made production goods increasingly less expensive and more accessible. Of more importance is the modernization of agriculture, such as fertilizers, to provide enough yields to feed the population. The supply of basic needs can be restricted by constraints on government services such as corruption, tax avoidance, debt and loan conditionalities and by the brain drain of health care and educational professionals. Strategies of increasing income to make basic needs more affordable typically include welfare, economic freedoms, and providing financial services.⁶

What is Cluster Approach?

Clusters are far from homogenous. Thus clusters can be classified into two types. Gulati (1997), in the context of Indian examples, distinguishes between “modern” urban and “artisanal” rural clusters. The former serve large metropolitan and export markets, while the latter cater to more local demands.⁷

The industrial cluster is not a new phenomenon. It has evolved in a process after passing through numbers of economic theory developed starting from Marshall's Industrial District Theory (1890)⁸ to Industrial Cluster Theory by Michael Porter (1990)⁹. The cluster concept has attracted many policy maker, academicians and researchers as a vital strategy for rural development (economic and industrial). Today, the developed and developing economy implementing cluster concept as an instrument for the development of rural small and households industries and also for the development of communities related to these industries.

The cluster concept has gained momentum on the agenda of international development organizations over last decade. The foundations of this paradigm can be traced back to the work of the economist Alfred Marshall, who in *Principles of Economics* (1890) described the phenomenon as "the concentration of specialized industries in particular localities" and noted that these agglomerations of small-scale businesses enjoyed economies of scale comparable to those of large firms. In the late 1970s, the concept was highlighted again as a new model of industrial organization after the relative decline of Fordist mass production. In particular, studies on the so-called Third Italy illustrated the flourishing of cities and communities on the basis of concentrations of small and medium firms belonging to the same industry. More recently, Michael Porter popularized the concept of industry clusters in his book *The Competitive Advantage of Nations* (1990). Thereafter, there has been a surge of interest in clusters as drivers of economic growth and hubs of innovation¹⁰.

A cluster having only micro enterprises are called micro enterprise cluster. Those micro enterprise clusters, which produce handicrafts and handlooms products, are called artisan clusters¹¹.

The geographic spread of a cluster can vary. As a part of its natural growth, a cluster generally covers at least that big an area that enables its firms to interact. However, since cluster is not a legal entity, its geographic boundary is scholastically determined. Ideally, the geographic limit of a cluster should not cover too big an area such that it deters interaction and the very spirit of cluster development may lack in such situations. Thus a cluster should cover a few villages or a city and its surrounding areas or at best a few blocks of a district.

Why Cluster Approach To Be Amalgamated With Cottage Industry?

The biggest advantage of the cluster approach is that the group of people is having common prospect or problem; hence they can unanimously decide and come to a solution. The unanimity makes it easier to handle a common obstacle for the artisans. From raw materials to energy and from production to marketing similar opportunity and threat is observed by the cluster-members. Also from government's point of view it becomes easier to extend support to maximum beneficiaries who are already under a single umbrella. To create Common Facility Centre (CFC) or to facilitate marketing support becomes much more pragmatic just because the total number of beneficiaries remains under constant observation. Providing not only technological support, but also making them psychologically equipped for further struggle to conquer success becomes equally important for the trainers.

Conclusion: Easier said than done talking about economic theories of poverty reduction; especially in case of rural people where accessibility to even basic needs is painfully meager. And to add to the sorrow, the cyclical unwellness of a family runs for generations, one after another. Thus it is most important to inculcate the necessity of decent livelihood amongst the rural people. Poverty is a relative concept. It varies from country to country. But at least the urge for betterment of lifestyle, i.e. development of livelihood from the present condition should be the aim. Needless to say, removal of poverty is a never ending process. We can never reach the ultimate point just because there is no particular point of saturation. Only

thing we can do is to provide little more comfort to larger scale of human beings residing globally by providing them the accessibility of resources in order to fulfill their requirements.

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