

FACTORS INFLUENCING THE SALE OF COTTAGE INDUSTRIES: A STUDY OF ISLAMPUR, DISTRICT SWAT

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Small scale industry plays a vital role in the socioeconomic development of the developing countries as it contributes significantly to to reduce the poverty, creates jobs and boost the economic activities. In developing countries, Small medium enterprises (SME's) contributes approximately 70% in employment and 36% to the GDP of the country. This study investigates the factors influence the sales of cottage industry in Islampur district swat. Primary data was collected from 208 firms of the cottage industry in the area. Results of descriptive statistics shows that out of 208 firms, 168 has a informal source of financing, while 40 have the formal source of financing. Approximately, 161 out of 208 cottage firms were hold by single individual while 47 firms have a shared ownership. Similarly 177 producer sell their products at local markets while 31 firms have international linkages to sell their products. According to the results of priority index, the expensive raw material indexed at 0.82, make it the top raked issue that effect the sale of cottage industry. While load shedding indexed at 0.81 that remains the second issue according to priority index. The cottage industry of Islampur is well-known for producing traditional shawls, Caps and other garments that represent the culture of the region. There is a need to tackle the issues faced by the cottage industry at Islampur.

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Introduction

Cottage industries remain the backbone of the traditional economy in the history. Cottage industries are small businesses that are run out of homes rather than in specially constructed facilities. From the Middle Ages, artisans and weavers were making ceramics crafts and different daily use products with the help of local made tools and traditional methods in their homes.

Trade during the evolutionary period of industrial revolution unlock the era of mass production in the form of cottage industries, factories and firms. Gradually, it becomes usual to explore the rich stories, values and exchange while traveling to the other regions of the world.

From the economic perspective cottage industries has significant importance to improve employment, and socioeconomic status of the low-income households in rural areas. Cottage industry has cost effective because of the availability of local resources and skilled labor at low cost. It promotes better standard of life and contributes to the economy (Tasneen et al.,2014).

However, the cottage sector face multiple challenges due to the changed landscape. While the global market provided a means of expansion, it also forced craftspeople to settle for cheaper, mass-produced substitutes. These industries predominance demonstrates a striking balance between upholding rich traditions and implementing cutting-edge solutions. Some have effectively combined efficiency expenditures with technological advancements while maintaining the core of manufacturing. The wide range of products produced by cottage industries is a monument to the artists unwavering dedication to producing high-quality, well-known textile products that have been cherished for many generations. Similar other products, such as jewelry, woodworking, ceramics, musical instruments, and handicrafts, witness to the creativity and inventiveness of artists (Hasan et al., 2017).

Cottage industry in Pakistan is facing numerous challenges. First, as the country enters the fourth industrial revolution, where automation is rapidly replacing labor-intensive jobs, there is a risk of joblessness in the near future. Second, as globalization moves toward regional integration, as evidenced by the China-Pakistan Economic Corridor (CPEC), the obstacles facing by small businesses are increasing (Baig et al., 2020).

The role of competitive and well-established small businesses is becoming more and more important every day in order to connect our small-scale sector with the fourth industrial revolution. It can reduce unemployment, and benefit from this economic corridor. In Pakistan, a developing nation, almost 90% of businesses are categorized as small enterprises. Pakistan is the fifth most populous country in the world, with a population of about 230 million. By 2050, it is expected that the population would surpass 351 million. Out of 351 million, 263 million will be in the active work force. A workable mechanism for creating jobs in the small-scale and cottage industries would be required to employ the young talent in the near future (Abbas et al., 2020).

The Punjab cottage industry is not an exception to Pakistan's cottage industry, which has been in sharp decline, especially in the past ten years. Since the 1980s, the GDP contribution of this industry has drastically decreased comparing the contribution to the actual potential of the country.

Financing from a formal sector like banks, government loans, and other financial institutions is one of the huge barriers for small medium enterprises growth. Approximately, 90% of the small business wouldn't access to the micro-financing, because of enough knowledge, lack of education, unawareness, and complex and lengthy paper work process. Although microfinance is demanded by small businesses, only 7% of those can access it (Aslam et al., 2013).

The cottage industry of Islampur is also well known for traditional hand-make shawls, caps, mufflers and woolen garments. It is one of the historic villages, located at 11 km away from Mingora city in district Swat, Khyber Pakhtunkhwa. Most of the dwellers are self-employed in this industry because it's a part of their tradition and culture. The raw material used in handicrafts are purchased from different cities of the province including Peshawar. The products of this industry with its vibrant finishing have a huge demand in local and international markets (Kamal et al., 2013).

Study Objective

Objective of the study is to identify the key challenges in the sales and production process being faced by the producers of Islampur Cottage industry.

Problem Statement

Many researchers have looked into the market dynamics of Islampur cottage industry. For example, Wahab et al., (2022) identified some of the factors that have influenced of the sales of cottage industries of Islampur. However, the industry has been facing a lot of challenges that affect the sale of the products produced here. And until and unless these challenges are critically looked into to make it easy for the policy makers and other stakeholders to address, the industry will suffer. To address this issue, the current study undertakes this effort to explore real challenges of the producers in Islampur small cottage industry by analyzing the factors effecting the sales of this cottage industry.

Significance of the study

The small-scale industry of Islampur has a significant role in employment of the area. Not only local men but women are empowered with different fashionable design on ladies' garments that has a huge demand. Any disruption in the production line has a huge consequence on the sales of these unique products. This study examined the most of the factors that affect the sales of Islampur cottage industry while using priority index table that identified that most prior issues vulnerable to sales.

Reviewed Literature

Chachar et al. (2013) studied the socioeconomic variables influencing the handicrafts products in Small medium enterprises of Hyderabad Sindh. Some of the key determinants were family background, age and experience of the producers, managerial skills, and education of the owners. Study found that technical education and the socioeconomic indicators have positive outcomes and contribute 60 percent in the growth of the business. Furthermore, the paper found the effective management of resources benefits both the owners and the employees in those SMEs.

Pandey (2013) reviewed a study on cottage industries to reveal the factors that support them and to look into their limitations. The study was conducted for Uttar Pradesh, India, and the author concluded that the government of India should support the cottage industry by providing raw materials, loans, and transportation. Joy and Kani (2013) looked into a study on cottage industries and their limitations, conducted for India, and discovered that cottage industries can be operated using their traditional methods without the need for modern techniques. The primary issue that cottage industries face is that large industries can produce the same product at a lower cost.

Mexon et al. (2014) observed the variables affecting such industries' formation, growth, and sustainability. The study highlights the value of cottage enterprises in preserving traditional crafts, generating employment, and strengthening the local economy. The writers discuss how cottage industries can expand with support from the government, market access, infrastructure development, and talent development. The results can be used by industry stakeholders and policymakers to encourage and maintain the growth of cottage industries in the region.

In Punjab, Pakistan, Hasan et al. (2017) studied the spatial analysis of small and cottage industries. The goal of the study is to comprehend the clustering, distribution patterns, and variables affecting these industries' expansion in the area. It is anticipated that the results of this study will add to the body of knowledge already available on Punjab, Pakistan's small and cottage industries. Policymakers and other stakeholders can create focused policies to encourage the growth of these industries and optimize their socioeconomic impact by examining their spatial distribution and determining the reasons driving their expansion.

The factors influencing the expansion of the cottage industry in Pakistan's Baluchistan province have been identified by Haider et al. (2020). The author created a questionnaire to look at these aspects, using characteristics that have been examined in earlier research projects carried out in other nations. The respondents were owners of cottage industries who were chosen at random from Punjab's rural and urban districts. The findings of the study have

important ramifications on two levels. First of all, they can help guide government initiatives to protect Pakistan's cottage sector. Second, by highlighting the crucial elements that demand their attention for business promotion, they provide owners of cottage industries with insightful advice. Five factors are identified by the study as having a significant impact on Pakistan's cottage industry's expansion.

Methodology and Theoretical Framework

This paper investigates the factors effecting the sales of cottage industry in Islampur. Many studies have been found using different framework while working on the same theme at different regions of the world. The theory behind such studies is classified by (Kenton, 2023) who relate the factors of sales with the marketing mix strategy of 4P's (product, price, place, and, promotion) used in marketing field. Sales and Marketing are the interrelated departments of any business or Organization. They have common mutual goal of making business profitable with different tools. The marketing mix strategy first P is for product means that a business or firm must create market offerings that satisfy need and deliver its value proposition. The second P is for Price that explain the charges decide by the firm against the offering. The firm or business will make the offering available for the specified customer in the target market (place). The last P is for Promotion that means the firm will engage the target customers, provide features and information about the product that meet the customer needs (Kotler, 2018).

Study Area

The Study has been carried out at district swat in Khyber Pakhtunkhwa Province of the Pakistan. The cottage industry of Islampur village in swat is famous for handmade garments, Shawls, Carpets, etc. in all over the country and also Pakistanis settled in different parts of the world ordered it from the local markets.

Sampling and Data Collection

Primary data has been collected from the different stakeholders and firm owners of the cottages through structured questionnaire. Out of 450 cottages industries 208 owners were randomly selected as a sample size, while using Yamane (1967) formula for sampling and sample size.

Factors of Sales

The study examines the factors that can influence sales of the cottage industry such as quantity of sales of each industry, types of items sold and their prices, sourcing of finance, Income, number of workers and their experience, and access to international market.

Techniques used for Analysis

The Study is based of descriptive statistical analysis of different factors that influence sales of the cottage industry. Descriptive analysis is used to organize and make summary of the important variables with percentage, mean, variance, and standard deviation. Its present data in charts, graphs that can be used to identify trends and pattern in data.

Construction of the Priority Index

The study developed priority index table to report the problems of the cottage industries owners face during the production. Top 5 problems were ranked on the basis of their intensity. These problems include expensive raw material, lack of experienced workers, power supply shortages, lack of training programs, and lack of digital marketing or eSkill. A great number of studies (e.g., Khan et al., 2016; Stel & Storey, 2007; Wahab et al., 2002) have considered the use of priority index for the comparison of problems and ranked them through the certain process and data collected from the field and analyzed the main reasons of any social issue (table 1).

$$PRI = \frac{\sum Sc_i f_i}{N}$$

Where:

PRI is the priority index range from 0 to 1

f_i is the Frequency of *ith* priority

N denote number of observations

Sc_i is represent Scale value of *ith* priority.

Table 1 *The Scales Include Five Gaps*

Priority	1 st	2 nd	3 rd	4 th	5 th	No Priority
Scale Values	1.00	0.80	0.60	0.40	0.20	0.00

The higher the index values the higher will be the priority problem.

Results and Discussion

Data has been analyzed with the help of using SPSS. The factors of sales have been categorized into qualitative and quantitative variables. Table 2 provides the details.

Table 2 *Frequency Distribution of Variables of the Study*

Variable	Categories	Frequency	Percent	Total %
Source of Financing	Informal	168	80.8	100
	Formal	40	19.2	
Firms Ownership	Sole Owner	161	77.4	100
	Shared	47	22.6	
Product where do you sell	local market	177	85.1	100
	Int. Market	31	14.9	

Training for products	Yes	77	37.0	100
	No	131	63.0	
Types of Workers	Skilled	174	83.7	100
	Un Skilled	34	16.3	
Available Skilled workers	Yes	145	69.7	100
	No	63	30.0	

The above table shows frequency and percentage of the qualitative variables. Respondents were asked about the source of financing out of 208 firms 168 have informal source of financing while 40 have formal source of finance where source of finance means, financing from bank of financial institution. Similarly, 77 percent of the firms were owned by the individual while 23 percent owned with shared equity. Approximately 15 percent of the cottage industries were found to have access to international market place and 63 percent respondents lack of training from government side. Fortunately, 83 percent respondents were skilled and 70 percent of the cottage owner showed the availability of skilled workers.

Table 3. *Responses against the Problems Faced by Cottage Industry*

Priority	Load-Shedding	Lack of availability of experience workers	Expensive raw materials	Lack of training programs	Lack of E-business skills
First	84	7	81	7	34
Second	69	13	80	11	37
Third	40	42	38	20	68
Fourth	10	70	5	79	34
Fifth	5	76	4	91	35
N/A	0	0	0	0	0
Total	208	208	208	208	208

Statistics in table 3 show the individual's response against the problems faced during the operations of cottage industries at Islampur. Data in this table show that the power supply and expensive raw material is the top issue reported by the firm owners. In terms of figure 84 respondents report load-shedding as a top issue that should be resolved on first priority. While 80 respondents show the expensive raw material issue as a second most important issue. Similarly, 68 mentioned lack of digital skills to uplift the sales as a third most prior matter to be resolved. At low prior 79 and 90 respondents report lack of training programs as a least prior issue on fourth and fifth rank respectively.

Table 4. *Ranking of Priority Index*

Problems	Priority Indices	Ranking
Load Shedding	0.81	II
Lack of availability of experience workers	0.41	IV
Expensive raw materials	0.82	I
Lack of training programs	0.37	V
Lack of E-business skills	0.60	III

After applying the priority index formula on the table 3, 0.82 is the highest index found for the expensive raw material issue because the raw material is not directly available in the market that is increasing cost of production and the agents or middleman role is making it expensive. The second highest index is issue is loadshedding 0.81, because most of the firms operate manually due to the shortage of power supply, even they can start evening shift in the presence of electricity that can boost their productivity. 0.60 is the lack of digital skills and lack of e-business skills means that there is a need of digital skills opportunities for youth and business so that they can promote their products on digital platforms also they have financial literacy of savings, involvement, and making business portfolio Wahab et al. (2022). Lack of experienced workers indexed at 0.41, the fourth issue of the cottage industries as most of the local people are quitting this field and adopting the other source of earnings for better living standard. Most of youngsters are preferring to change their life standards which leads to the shortage of the experienced workers in this specific field. The lack of training programs among new workers who are new to this field is the least index issue in these cottage industries Khan et al., (2016).

Conclusion and Recommendations

The study identified various factors that have influence of sales of the cottage industry at Islampur village in district Swat of Khyber Pakhtunkhwa. There are approximately 450 small cottage industries in Islampur, producing hand-made woolen garments. The market has a huge potential but there are some factors that is affecting the sales of cottage industry that reduce their growth. 208 firms have been investigated for those factors that affect their sales and this sample size has been considered while using Yamane formula for sampling.

The study concluded that there is a lack of financing for these small-medium enterprises as 168 firms out of 208 were running business with informal source of financing. Most of the time firms' owners have a problem in the complex procedure of financing as financing institutes need many information and document work to finance any small or medium businesses. Almost 85 percent of the producers are selling their unique product in local markets and 63 % report that there is no training programs and vocational

centers to learn this skill. Among their problems, the issue of expensive raw material remains of the top priority to be resolved.

Based on the above results, the study recommends that there is a need to address these identified issues as small and medium enterprises are considered as a backbone of the economy and economic growth. It provides employment and reduces poverty. There should be formal financing institutes to finance such businesses and the process of financing should be simple and easy. There is a need of training and learning digital skills platforms where small business owners have an opportunity to learn digital marketing so that they can sell online internationally. Furthermore, there should be enough power supply for small and medium enterprises that can boost such businesses and economic growth of the economy.

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