A STUDY OF VILLAGE AND COTTAGE INDUSTRIES IN KERALA: PROBLEMS AND PROSPECTS

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Management under the Faculty
of Social Sciences.

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Certified that the thesis " A Study of Village and Cottage Industries in Kerala : Problems and Prospects " is the record of bonafide research carried out by S. Venugopal under my supervision. The thesis is worth submitting for the degree of Doctor of Philosophy under the Faculty of Social Sciences.

(Dr. K. George Varghese)

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CHAPTER I

INTRODUCTION

The Village and Small Scale industries Sector (VSI) has an important place in the industrial structure of Indian economy. It provides employment to a large section of working force and contributes significantly towards the goods produced and exported by the manufacturing sector. The VSI sector stands next only to agriculture in terms of employment; on value added it contributes about fifty percent that of the manufacturing sector and in the matter of exports, its share is more than one third of the total exports made by the country.[1]

The VSI sector consists of two segments viz. modern and traditional. The village and cottage industries such as handloom, khadi and other allied village industries, handicrafts, seri-culture and coir form the traditional segment while the modern sector consists of a wide range of modern small scale industries. The total production, exports and employment coverage of VSI sector for 1984-85 came to Rs.65,530 Crores, Rs.4,557.56 Crores and 314.91 lakh persons respectively.[2] Of these, the respective shares of village and cottage industries were Rs.7,725.63

1. Government of India, Seventh Five Year Plan Volume II, Planning Commission, New Delhi, 1985, P.97
2. Ibid - P.98

Crores, Rs.2,207.56 Crores and 164.95 lakh persons.[3] Thus though village and cottage industries account for only 11.8 percent of the total production of VSI sector, their shares in exports and employment amount to 48.4 percent and 52.4 percent respectively.

Need For The Study

The role of village and cottage industries in a developing country like India cannot be over emphasised. Developing countries are characterised as labour abundant and capital scarce. The case of India is a fine example for acute unemployment. In 1988, the total number of work seekers in India came to 302.47 lakh persons.[4] Large industries with their stress on latest technical know-how requiring enormous capital investment cannot absorb the growing number of unemployed in the country. On the other hand, village and cottage crafts which employ labour intensive techniques of manufacture can provide immense employment opportunities to masses. With any given investment, employment possibilities would be many times greater in village and cottage crafts than those in factory sector. Census of Small Scale Industries 1972 revealed that the employment potential of small scale

3. Ibid

4. Government of Kerala, Economic Review 1988, State Planning Board, Thiruvananthapuram, P.10.

industries is so great that Rs.1 lakh investment in fixed assets generates employment to 16 to 20 persons as against a meagre of 4 persons in large scale industries for the same amount of capital investment.[5] In village industries, the employment potential is larger. The per capita investments of some village industries given in Table - 1 exemplify this fact.

Table - 1

Capital Required For Employing One Person

Industry	Capital Expenditure Total (Rs.)	Employment Total (Nos)	Per Capita Investment of Capital Expenditure
1. Match Production	22,000	22	1,000
2. Village Pottery	11,100	3	3,700
3. Fibre (Sissal)	15,000	5	3,000
4. Lime Shell collection	4,000	10	400
5. Ghani Oil (Bullock Driven Unit)	17,640.	3	5,880

Source: Khadi and Village Industries Review Committee Report 1987, Ministry of Industry, P.59, 60, 61 and 62.

5. Neelamegam, 'Employment Potential of SSI Units' Southern Economist Volume 28, July 1, 1989, P.9.

Developing economies have to determine the priority of their scarce capital allocation among various activities such as consumer goods industries, basic industries, transportation and power. Basic industries, transportation and power are highly capital intensive and there is no alternative to them. In the case of consumer articles, these economies can make a choice between small industries of a capital sparing nature and large industries which are generally capital intensive. Organising production of consumer articles in the village, cottage and small industries sector in the growing stage of an economy, can set apart a large portion of the available funds for basic industries, transportation and power without which an economy cannot grow.

Underemployment is a serious problem in agrarian economies. Agriculture does not provide full employment to cultivators and agricultural workers. This keeps majority of them below the poverty line. The nation is also at a loss as it does not make use of the available manpower resources. Referring to India, P.R. Dubhashi in his article 'IRDP suggestion for Improvement and Implementation' says,

> "incidence of unemployment, underemployment and disguised unemployment is very large. 5 to 6 percent of the rural farmers are fully unemployed. Many others are engaged

in work but do not earn enough to pull themselves out of poverty line. Most of the agricultural workers would get employment for less than 200 days per annum and the employment is only for a few hours and it is at a level too much below their productive and earning capacity" 6

Most of the cottage industries such as basket weaving, mat weaving, making of pots and pans, bee-keeping etc. can provide part time occupation to underemployed rural masses. These crafts can keep them above poverty line by supplementing their income from agriculture. This fact is exemplified by the peasentry of other farming countries. Sericulture, sivi culture and vine culture in France; pottery making, diary keeping and lace and embroidary works in Italy and Netherlands; cocoon rearing and poultry farming in Japan and watch and instrument making in Switzerland are responsible for the prosperity of the rural population in these countries.

Large industries can be set up only in places where infrastructure facilities like banking, insurance, transport and communication are available. Their concentration in places where these facilities exist, causes regional inbalances. People migrate from rural areas to such industrialised regions in search of employment, causing problems of congestion and health hazards. In India, there has been concentration of industrial activities in

6. Brahmananda,Narayan, Kalappa, Dimension of Rural Development in India, Himalaya Publishing House, Bombay, 1987, P.52.

four States viz. Maharashtra, Gujarat, Tamilnadu and West Bengal. Even within these industrially advanced States, industrial activities are restricted to a few districts. There has been large scale migration of people from rest of the country to these districts seeking employment. To tackle this problem, there is need for dispersal of industries to backward regions.

The Government of India, realising the difficulties associated with centralisation of industries, tried to achieve the dispersal to backward regions by offering various incentives. It is reported that many of the large industrial units set up in backward regions availing these incentives, are not happy about the locations and the facilities available there. It is also stated that the policy measures failed to achieve the desired impact due to the inadequacy of the required infrastructure facilities in these backward regions. Thus the possible way to achieve the industrial growth of backward regions lies either in the provision of the required infrastructure facilities or the promotion of industries which require the minimum infrastructure facilities. As the first option requires large scale investment, the only alternative with the developing nations is striving for the promotion and development of village, cottage and small industries in such regions. Their promotion in underdeveloped regions, apart from ensuring balanced regional development, can arrest the migration of rural population to industrial areas.

In the early stage of development process, a major part of State outlay is devoted for infrastructure building such as communication and transport facilities as well as generation and distribution of power. This results in the increase of purchasing power, without any corresponding rise in the immediate supply of consumer goods. It ultimately leads to the spiral of high price, high wage and high cost. Large industries which are characterised by long gestation periods, aggravate the situation further by adding to inflationary pressures. To avoid such a situation, the Government generally encourage the setting up of village and cottage industries along with the building up of infrastructure facilities and establishment of large industries. The interval between investment and production in village and cottage industries is very short and organising production of consumer goods in this sector, can arrest inflationary pressures.

Village and cottage industries make use of local know-how. But large industries generally necessitate the import of machinery, materials and technical guidance from advanced countries. This results in the outflow or precious foreign exchange. The tight foreign exchange position experienced by the developing nations binds them to village, cottage and small industries.

Big industrial units employing sophisticated machines are responsible for atmospheric pollution and several other health hazards. On the contrary, village and cottage industries with their stress on manual methods of manufacture are non polluting. They also do not cause any ecological imbalance or tension arising out of proliferation of slums.

Development of village and cottage industries is much more relevant to India as it is committed to the socialistic pattern of society. The Government is wedded to economic growth with justice. Industrialisation through large capital intensive industries, widens the gap between the haves and have nots and favours concentration of economic power in the hands of a few. Referring to this pattern of industrialisation, Mahatma Gandhi remarked,

> " I have no consideration for machinery which is meant either to enrich the few at the expense of many or without cause to displace the useful labour of many... I want concentration of wealth not in the hands of many, but distribution in

the hands of all. Today machinery helps a few to ride over the back of millions".7

A decentralised set up in the industrial development of a nation ensures more or less equitable distribution of national income and thus preserves economic democracy.

In view of the above mentioned features of developing economies like India, giving weightage to village,cottage and small industries for their industrial development will be appropriate. Cottage and small industries have an important role in the development of industrial establishments even in advanced countries such as the U.S.A., Japan, Germany and U.K.

The Government of India has been taking a number of measures to promote and develop the village and cottage industries since independence. It established All India Organisations to advise the Government on measures to be taken for their proper development. Measures were also initiated to protect them from competition by the large organised sector. In order to ensure the flow of finance to artisans, schematic lending like Differential Rate of Interest Scheme, Composite Loan etc. have been

7. Quoted by Charan Singh in India's Poverty and Solution from Mahadeo Desai's article in the Young India dated 13.12.1924 and Harijan dated 22-6-1935, Asian Publishing House, Bombay, 1964, p.25.

formulated and are being implemented. For upgrading the quality and quantity of goods produced, the Government has helped the formation of a number of research institutes. To improve the skill of craftsmen, training programmes are being held frequently.

Development of these industries is the responsibility of the State Governments under the Indian Constitution. Therefore, the State Governments alongwith the Central Government have taken steps for developing village and cottage industries on sound lines.

Realising the need and responsibility, the State of Kerala one of the smallest in India,situated on its South western tip, spared no time to take measures for the development of these industries alongwith other State Governments and the Central Government. The problems of Kerala are much more severe than those of the Indian economy. It has an area of 38,863 sq.kms. which is only 1.18 percent of the total area of the country. But it has to support a population of 25,453,680 which is 3.71 percent of the total population of India (1981 Census). With a density of population of 655 persons per sq.km. in 1981 as against the national average of 216 persons, Kerala is the most densely populated State in India.[8]

8. Government of Kerala, Economic Review 1990, State Planning Board, Thiruvananthapuram, P.14.

Unemployment is a serious problem that the State faces, today. In 1987, the total number of work seekers in Kerala came to 29.91 lakh persons as against the total of 302.47 lakh persons for India.[9] Thus, the State accounts for 10 percent of the total unemployed persons in the country although its size of population is only 3.71 percent of the total for India. The most important characteristic feature of unemployment in the State is the high level of educated unemployment. Of the total number of unemployed, over 60 percent are educated persons i.e. those who are S.S.L.C. and above.[10] Besides unemployment, underemployment is also very chronic. A survey on Employment and Unemployment in Kerala conducted by the Department of Economics and Statistics in 1987 reports that there were 15 lakh persons underemployed in a workforce of 107.5 lakhs.[11]

With 90 percent of the land in Kerala brought under plough, the agricultural sector cannot mitigate the problem of unemployment. As observed earlier in the case of developing economies including India, a

9. Government of Kerala, Economic Review 1988, State Planning Board, Thiruvananthapuram, P.10.

10. Draft Eighth Five Year Plan 1992-97 and Annual Plan 1992-93 Volume I, State Planning Board, Thiruvananthapuram, 1991, P.14.

11. Ibid.

pattern of industrialisation giving weightage to village, cottage and small industries only can help the State absorb its vast army of unemployed and underemployed. Further, the following factors necessitate the planners to give greater attention to cottage and small units in Kerala's industrialisation programme.

It is reported that the people of Kerala are not of a risk taking type. Although they possess surplus funds, they do not invest the same in industrial ventures due to their aversion to risk. The revelation made by the State Planning Board stands as a testimony to this fact. It says, "though there has been savings and surpluses in private hands on account of trading profit and remittances from abroad, a state based adequately motivated entrepreneurial class is yet to emerge in the State."[12] This has been not merely the present trend but also the tradition among Keralites. Mr. Krishna Iyer remarks that the history of Kerala shows people having surplus funds invested the same in educational institutions and land.[13] Many of the manufacturing units in the State have come from either the State or Central exchequer or investors outside the State.

12. Government of Kerala, Sixth Five Year Plan 1980-85, State Planning Board, Thiruvananthapuram, 1981, P.16.

13. S. Krishna Iyer, Keralathinte Sampath Vyavastha, State Institute of Language, Thiruvananthapuram, 1975, P.496.

Secondly, the scope for starting mineral based industries is remote in the State due to paucity of basic resources like coal, iron and copper. Likewise, potential for chemical industries which do not require natural resources as inputs, is affected because of the atmospheric pollution that these industries cause. The people of Kerala are highly concerned about environmental protection and they vehemently object to the setting up of industries leading to pollution and ecological imbalance.

In the third place, the working class in Kerala is of a unionised nature and consists of literate people. For instance, the artisans, the construction workers, the tailors, the palm climbers, the toddy tappers, the barbers, the newspaper agents and even loudspeaker operators in Kerala have their own unions, trade associations or class organisations. The working class is conscious of the rights and privileges conferred on them by the legislations passed by the Government from time to time. This awareness often leads to conflict with the management which in turn has become responsible for a much talked trade union militancy in the State. This impression is reported to be preventing the free inflow of capital to the State for setting up industrial units. Anyhow, all these inhibiting factors point out the necessity of assigning greater role for village, cottage and small units for the industrial development of the State.

Industries such as coir, handloom and handicrafts belonging to village and cottage industries sector in Kerala have a very ancient origin. Local availability of the skill and raw materials are the factors responsible for their development in the State. The constitution of Kerala Khadi and Village Industries Board in 1957 speeded up the setting up of new ventures in many other areas of this sector. In addition to this, various other institutions have been established in the State for village and cottage industries to enable the Government implement its programmes of development. Regulatory measures have been initiated to ensure availability of raw materials to these industries. The State level organisations are also concerned with modernising the techniques of manufacture. With the object of liberating artisans from the clutches of middleman in marketing, the Government helped the formation of a number of retail outlets. Besides, these industries received the attention of the State in its successive Five Year Plans. Out of the total outlay of Rs.64.294 lakhs on Industry and Mining till the Seventh Five Year Plan, the share of village, cottage and small scale industries was Rs.22,503 lakhs. This represented approximately 35 percent of the outlay on Industry and Mining.

Today, the village and cottage crafts alongwith modern small scale industries account for a major portion of the industrial employment in Kerala. Table 2 shows the contribution made by the various segments of manufacturing sector such as organised sector, small scale industries and village and cottage industries towards the generation of employment.

Table - 2

Distribution of Industrial Employment in the State in 1988-'89

	Industry	Employment in lakhs	Percentage to total employment in the manufacturing sector
1.	Large Scale & Medium	10.97	45%
2.	Small Scale	3.67	15%
3.	Village and Cottage Industries.	10.00	40%

Source: Compiled by the researcher from the Report of the Steering Committee on Industry and Mining, Eighth Five Year Plan 1990-95, State Planning Board, Thiruvananthapuram, 1990, P.10, 12 and 13.

As the table indicates, 55 percent of the industrial employment is provided by village, cottage and small industries. The share of village and cottage industries alone comes to 40 percent.

Coir, handloom and handicrafts are export oriented and they bring valuable foreign exchange. In 1990-91, out of total value of foreign export trade of Rs.1314.50 Crores from Kochi Port, the share of coir products is Rs.28.25 Crores.[14] This forms approximately 3 percent of the export value of trade made through Kochi port. The export of handicrafts through Handicraft Development Corporation alone amounted to Rs.17.42 lakhs for the same period.[15] It is reported that the export through Handicraft Development Corporation is negligible and bulk of the handicrafts produced in Kerala is exported through private agencies in Bombay making use of Bombay port. Similarly, handloom fabrics to the tune of Rs.2.25 Crores are exported directly by the exporters in Kerala to the U.S.A., F.R.G., U.K., France, Japan, Australia and Netherlands.[16] These achievements have been claimed to be the result of efforts taken by the Central and State Governments to develop the village and cottage industries by ensuring adequate supply of raw materials, modernising technology, supplying concessional finance

14. Government of Kerala, Economic Review 1991, State Planning Board, Thiruvananthapuram, P.88

15. Ibid. P.67

16. Government of Kerala, Kerala State Gazetteer Volume III, Kerala Gazetteer's Department, 1989, P. 343.

and offering marketing facilities.

Statement of the Problem

Despite the official claims, the performance of village and cottage industries in the State is reported to be dismal. According to the Report of the Steering Committee on Industry and Mining,

> "these industries are characterised by low level of technology, low productivity and low income. Due to paucity of raw materials and dwindling internal and external markets, there are frequent gluts. Labour force in traditional industries do not get full employment due to a host of reasons, most important among them being shortage of raw materials and slump in the market".17

The position revealed by the village industries under the purview of State Khadi and Village Industries Board (SKVIB) is also reported to be not much impressive. The Board makes tall claims such as having organised 1741 co-operative societies and 1402 registered institutions in khadi and village industries sector and provided employment to 1,79,257 persons till 1988-89.[18] But it is reported that 67.03 percent of the co-operative societies and 32.45 percent of the registered institutions promoted

17. Government of Kerala, Report of the Steering Committee on Industry & Mining Eighth Five Year Plan 1990-95, State Planning Board, Thiruvanantha-Puram, 1990, P.13.

18. Annual Administration Report 1988-89, Kerala State Khadi & Village Industries Board, Thiruva-nanthapuram, P.12 and 16.

by the Board are defunct.[19] The co-operative societies in other areas such as coir, handloom and handicrafts also show high dormancy rates of 45.89 percent, 23.37 per-cent and 60.63 percent respectively.[20] Weak financial base, non availability of raw materials, inadequate marketing facilities, absence of trained personnel, in-adequate supervision and control are some of the reasons responsible for this State of affairs.[21]

In the words of the Planning Commission,

> "the growth and development of this sector (the village and cottage industries sector) has been constrained by several factors in-cluding technological obsolescence, inade-quate and irregular supply of raw material, lack of organised marketing channels, imperfect knowledge of market conditions, unorganised nature of operations, inadequate availability of credit, constraint infra-structural facilities etc."22

The Planning Commission also reports that a lion's share of the sale of these industries is confined to rebate period while they maintain huge inventory dur-ing the rest of the year. The Economic Review 1991

19. Ibid

20. Government of Kerala, Report of the Steering Committee on Industry and Mining Eighth Five Year Plan 1990-95, State Planning Board, Thiruvananthapuram, 1990, P.55, 59 & 65.

21. Government of India, Khadi and Village Industries Review Committee Report, Ministry of Industry, New Delhi, 1987, P.127.

22. Government of India, Seventh Five Year Plan, 1985-90, Volume 2, Planning Commission New Delhi, P. 95.

confirmed that 90 percent of the handloom products sales are made in Kerala during the rebate period.[23] These revelations indicate that the village and cottage industries in the State have not been placed on a sound footing despite the efforts taken by the Central and State Governments and the heavy investment made. The various Governmental agencies have identified certain areas which constrain the growth of this sector. The constraints are in raw materials, technology, finance and marketing.

Recently a view is gaining ground that these industries cannot survive in a competitive economy. They exist just because of Government support. Their argument cannot be overlooked in the light of the problems brought out by the Government's own publications. In view of these conflicting opinions, it is thought necessary to conduct a detailed study on the present state of affairs of the village and cottage industries in the State to trace out the factors obstructing their growth.

23. Government of Kerala, Economic Review 1991, State Planning Board, Thiruvananthapuram, P.72.

RESEARCH DESIGN

Statement of the problem

The Government agencies have identified the areas constraining the growth of village and cottage industries in the State as supply of raw materials, technology, finance and marketing. Hence, the study has been designed to enquire into the present state of affairs of these industries in respect of raw materials, technology, training, finance and marketing. It has been captioned as "A Study of Village and Cottage Industries in Kerala: Problems and Prospects".

Definition

The terms "Village industries" and "Cottage Industries" have been used interchangeably and sometimes simultaneously to mean traditional industries by the present day planners and administrators. They do not provide any clearcut definition for these industries. The National Planning Committee (1948) is the one which has given a clear definition for cottage industries. According to it, a cottage industry means,

> "an enterprise or series of operations carried on by a workman skilled in the craft on his own responsibility, the finished product of which he markets

himself. He works in his own home with his own tools and materials and provides his own labour and at most the labour of such members of his family as are able to assist. The workers work mostly by hand labour and personal skill with little or no aid from modern power driven machinery, and in accordance with traditional technique. Such supplementary energy as is provided by animal power may add to the economy and efficiency of the industry. He works, finally, for a market in the immediate neighbourhood, that is to say in response to known demand with reference to quality as well as quantity."24

The definition is very comprehensive and it points out their characteristics such as limitation of employment to family members, the place of work as the cottage of artisan, avoidance or power operated equipments and production for local markets only.

With the passage of time, the above features of cottage industries have changed. Presently, they use power operated appliances, employ outside labour, produce goods for distant markets and market them through agencies. Similarly with the formation of industrial co-operatives, the place of work has been shifted from cottage to the common place offered by the societies. Work is undertaken on the joint responsibility of artisans. In short,

24. Report of the Sub Committee of the National Planning Committee on Rural and Cottage Industries, 1948, P.24 and 25.

the nature has been totally changed. However, the planners and administrators never tried to redefine them and treat all traditional industries carried out for self employment as cottage industries.

Village industries have not been defined in a comprehensive manner. The Planning Commission has defined them as "those concerned with the processing of local raw materials for local markets and with simple techniques"[25] All these are characteristics common to the cottage industries as well. The only difference is on the stipulation of the place of work by the artisan in the case of cottage industries which ofcourse has been changed now. The Khadi and Village Industries Commission or the Act that resulted in the creation of the KVIC has not tried to give a comprehensive definition for village industries. Instead, it lists a few industries under its jurisdiction and treated them as village industries. According to Section 2(h) of the Khadi and Village Industries Commission Act of 1956 Village Industries mean all or any of the industries specified in its schedule. The Act imposed certain restrictions on the industries under its purview such as avoidance of power, utilisation of village raw materials, location in rural areas etc. In fact, these industries can belong to the category of cottage industries also.

25. Government of India, The First Five Year Plan, Planning Commission, 1951, P.315.

Incidentally, with the object of enlarging the area of operation of village industries and permitting the use of power operated equipment, the KVIC has put forward a new definition for village industries in response to Khadi and Village Industries Review Committee Report 1987. As per the new definition, village industry means any industry located in a rural area having a population which does not exceed ten thousand, which produces any goods or renders any service with or without the use of power and in which the per capita fixed capital investment does not exceed fifteen thousand rupees. Thus the features of the industries which the KVIC can promote and develop, have been totally changed. According to the new definition, village industries under the purview of KVIC are no longer confined to traditional industries. However, for the purpose of the study, the researcher proposes to restrict the coverage of industries to those listed by the KVIC as per the earlier Act.

The village and cottage industries in Kerala comprise mainly coir, handloom, handicrafts, bamboo and khadi and village industries. The khadi and village industries include, in addition to khadi, other industries such as 1. Processing of cereals and pulses, 2. Village oil, 3. Village leather, 4. Cottage match, 5. Gurkhandasari, 6. Palmgur, 7. Non-edible oil and soap, 8. Handmade paper, 9. Bee-keeping, 10. Village pottery, 11. Fibre, 12. Carpentry and Blacksmithy, 13. Lime, 14. Collection of forest plants and fruits, 15. Fruits and vegetable preservation, 16. Cane and Bamboo, 17, Aluminium, 18. Rubber goods, 19. Biogas and 20. Poly vastra. Thus, there are twenty one industries including khadi under khadi and village industries.

As stated earlier, the practice among planners and administrators, evennow, is to refer all traditional crafts irrespective of equipment used, place of work, labour employed, materials used etc. as village or cottage. They use terms 'village and cottage' together to describe the traditional industries. This usage is adopted to avoid confusion. The researcher proposes to accept this practice of planners and administrators in defining village and cottage industries.

Objectives

The major objectives of the study are to assess the state of affairs of village and cottage industries and to ascertain their future prospects in the State of Kerala. It also proposes to:

1. evaluate the Governmental efforts for the promotion and development of village and cottage industries in the State and

2. trace out their problems with regard to raw materials, technology, training, finance and marketing.

Hypotheses

The study attempts to test the following hypotheses:

1. Government policies for the promotion and development of village and cottage industries have been, by and large, unimaginative, and have benefitted neither the industries concerned nor the prospective beneficiaries.

2. Marketing is a burning problem of village and cottage industries and hence Governmental efforts should lay more stress on this aspect by creating demand for their products.

3. Low level of earnings by those engaged traditionally in village and cottage industries is the major cause of distraction, and as a result, they give up the job. This retards the growth of such industries.

4. Governmental agencies set up for promotion and development of village and cottage industries are inactive and their performance is below the level of expectations.

5. Governments should redouble their efforts in the provision of infrastructure, especially in the area of technology upgradation in village and cottage industries.

Data Base

Industries for detailed study have been chosen from the list of those under the jurisdiction of State Khadi and Village Industries Board (SKVIB) in Kerala. Out of 21 industries being promoted and supported by SKVIB, the following five have been selected. They are:

1. Fibre
2. Cottage Match
3. Village Pottery
4. Bee-keeping
5. Lime Shell collection and processing

The contributions made by these industries to their national output are larger than those of other industries. Another reason for choosing them is that the Khadi and Village Industries Review Committee Report 1987 identifies them as having growth potential in the State.

The sample units for the study include co-operative societies, registered institutions and household units. The first two are drawn from the list of co-operative societies and registered institutions obtained from the State Khadi and Village Industries Board. They are drawn on a multi-stage basis. For this purpose, the State has been divided into three Zones viz. South, Centre and North. The districts in Kerala are allocated to the Zones as shown below:

South	Centre	North
1. Thiruvananthapuram	1. Ernakulam	1. Palghat
2. Kollam	2. Kottayam	2. Malappuram
3. Alappuzha	3. Idukki	3. Kozhikkode
4. Pathanamthitta	4. Thrissur	4. Wynadu
		5. Kannur
		6. Kasargode.

For each industry, sample units are drawn from the district in each Zone having the heaviest concentration. The number of units surveyed are proportionate to the strength of units in these districts. The pilot study findings indicated that these units have more or less similar problems. Therefore, out of 271 co-operative societies and 250 registered institutions, 25 co-operative societies and 22 registered institutions have only been surveyed.

Household units also exist in industries such as pottery, bee-keeping and lime. As no registration is required for these units, there is no authentic information regarding their total number. The district having the heaviest concentrations of household units in each Zone for pottery and bee-keeping is identified from the State Khadi and Village Industries Board. Likewise, for lime, the district having the maximum lime shell concentrations in each Zone is chosen on the basis of Geological Survey of India 1961. Sample clusters from these districts are chosen in proportion to the concentrations identified. The total units of the clusters selected are fixed in consultation with State Khadi and Village Industries Board, local banks and co-operative societies. As in the case of co-operative societies and registered institutions, a pilot study was held on household units also. The findings showed that they possess similar characteristics and suffer from more or less same problems. Therefore, out of the total of 3,235 household units in sample clusters selected, 220 units have been covered by the field survey.

Major industries in Kerala such as coir, handloom and handicrafts, though they belong to village and cottage industries sector, have been excluded for detailed study as a good number of studies have already been held on them. However, they are also subjected to analysis based on secondary data.

Sources of Data

Primary data have been collected from the sample units with the help of a structured schedule.

Secondary data for the study have been collected from Annual Administration Reports of SKVIB, Task Force

Reports on Traditional Industries for the Five Year Plans, Economic Reviews of the State Planning Board, Five Year Plan Documents of Central and State Governments, Newspaper Reports and other Government publications.

Tools of Analysis

No sophisticated tools have been used for analysis. Only simple tools such as percentage and simple average etc. have been made use of.

Limitations

Only five out of twenty one industries under the purview of SKVIB have been surveyed. The exact number of household units in the population is not known as such units do not require registration. This has affected sampling for such units. Another limitation is that coir, handloom and handicrafts have been omitted from field survey. This is due to the fact that a number of studies have been held in these areas both by the Government and individuals. Information relating to these industries obtained from such studies has been analysed and it is found adequate for the purpose.

Period of Study

For field survey, the period has been restricted to five years, i.e. from 1987-'88 to 1991-'92.

Chapter Scheme

The Report is divided into seven chapters. The current introductory chapter includes statement of problem objectives, hypotheses, methodology etc.

The second chapter deals with All India Boards and State level organisations created for the promotion and development of village and cottage industries. It explains the origin and activities of these organisations.

The third chapter is concerned with the evaluation of Governmental measures for the development of village and cottage industries.

Problems of village and cottage industries connected with technology, training and raw materials constitute the subject matter of the fourth chapter. The chapter explains changes in techniques of manufacture, programmes for upgradation of artisan skill and their deficiencies, trends in prices of raw materials and finished products as well as the earnings of craftsmen.

In the fifth chapter, various sources of finance for village industries, both institutional and non-institutional, are discussed. An evaluation of schematic lending like Differential Rate of Interest Scheme, Composite Loan and Priority Sector Lending is made here. The role of SKVIB in financing village industries and its deficiencies also from a part of this chapter. Besides, it throws light on the role played by middlemen in financing individually owned units.

Marketing practices and problems are the subject matters of the sixth chapter. Assistance offered by Government sponsored or aided institutions in selling the products of cottage industries is explained here. It also examines whether the selling techniques of these institutions conform to modern marketing strategy. The chapter also discusses the role of middlemen in marketing the products of these traditional crafts.

The last chapter summarises the findings of the study.

CHAPTER II

ORGANISATION BUILDING FOR VILLAGE AND COTTAGE INDUSTRIES

In order to formulate policies and programmes for the promotion and development of village and cottage industries and for their implementation, several All - India organisations and State level agencies have been established. With the emergence of mechanised sector, it became necessary for the survival of artisans to improve techniques of manufacture, update their skill, procure raw materials in bulk and practise modern marketing strategy. Since artisans belong to economically weaker section of the society, they cannot undertake these activities by themselves. All India Boards and State Level Organisations are expected to help craftsmen in the fields of raw materials, research, training and marketing.

Decay of Traditional Crafts

Village and Cottage Industries thrived successfully before invention of machines for production of goods and no organisational support was needed. This is exemplified by their history in India. Cotton spinning and weaving were practised in India as early as five thousand years ago. Till the end of the eighteenth century, Indian Village comprised agriculturists and artisans following hereditary occupations according to the caste they belonged to. The Villages were noted for their self-sufficiency. In urban areas, artisans were engaged in the production of handicrafts meant for royal courts, wealthy urban class and for export.

The glory of Indian handicrafts began to fade away towards the end of the eighteenth century and the decline became very marked about the middle of the nineteenth century.[1] The decay was caused by the dismissal of the fuedal lords and courts who patronised the products of handicrafts, consequent on British colonial domination. The tastes of British rulers differed from those of their Indian predecessors resulting in a drop in demand for luxuries turned out by indigeneous crafts and their final ruin. Likewise the products of cottage industries began to face competition from imported and then local goods produced by factory methods. The products made by machines were cheaper than those of cottage industries. The use of machine made goods became widespread with the development of transport. Thus the competition from the mechanised sector and development of transport had a disastrous effect on the crafts producing utility articles.

1 T.R. Sharma and S.D.S. Chauhan, Industrial Economics, Shiv Lal Agarwal and Company, Educational Publishers, Agra, 1972, p.6.

All India Spinners Association and All India Village Industries Association

The national leaders under the guidance of Mahatma Gandhi, with the object of awakening swadeshi spirit, exhorted people to use khadi and abandon foreign made goods. Gandhiji was opposed to the use of machines which displaced labour. He remarked, "machanisation is good when the hands are too few for the work to be accomplished. It is an evil when there are more hands than required for the work as the case in India."[2] Under his leadership, All India Spinners Association (AISI) was formed in 1925 to organise hand spinning and hand weaving. This was followed by the establishment of another organisation called All India Village Industries Association (AIVA) in 1935 to look after other village industries such as hand pounding of paddy, ghani oil, palm gur, bee-keeping, hand made paper etc.

It was reported that there took place an increase in production of Khadi due to the efforts of All India Spinners Association. Production of Khadi cloth that was worth Rs.19 lakhs in 1924, increased to Rs.32 lakhs in 1930-31.[3] The efficiency of Spinners was claimed to have

2 R.V. Rao, Small Industry and the Developing Economy of India, Concept Publishing Company, New Delhi, 1979, p.37.

3 Ibid p.71.

been increased from a few yards of yarn to over a thousand yards on a village model charkha because of the technical improvements. But several economists observed that the output of Khadi was low.[4] They were doubtful about the capacity of Khadi occupying a significant place in the textile production of the country.

Anyhow the efforts of AISA and AIVA to develop khadi and village industries did not succeed due to the increased competition from the then newly emerged large industrial sector and the imported British goods. Excepting for handloom industry for which certain financial assistance in the form of subsidy was granted, no Governmental attention was paid to solve the problems of village and cottage crafts. These industries were labouring under various stresses and strains in the fields of production, finance and marketing.

Cottage Industries Board

In 1947, when India became independent, the National Government wanted to protect traditional crafts from total ruin as many people were dependent on them for their livelihood. An Industries Conference convened by the Union Ministry of Industry and Supply, in 1947 focused attention on village, cottage and small industries. The conference indentified the problems faced by the cottage and small

4. Ibid

industries. The problems were:

1. non-availability of raw materials;
2. out dated techniques of manufacture;
3. lack of finance;
4. defective marketing and
5. competition from goods produced by machines whether imported or locally made.

The Conference recommended the formation of a Cottage Industries Board to make suggestions to the Government to tackle these problems. Accordingly, All India Cottage Industries Board was set up in 1948 comprising representatives of Provincial and State Governments (as then categorised) and certain institutions like All India Spinners Association. The functions of the Board were to:

1. advise and assist Government on the organisation of Cottage Industries;
2. examine and advise how cottage and small scale industries can be co-ordinated with the large industries;
3. examine the schemes of Provincial and State Governments for the promotion of village and small scale industries and to assist in co-ordinating them and
4. advise the Government on the marketing of the products of cottage and small scale industries both in India and abroad.

The Cottage Industries Board had only advisory powers. Therefore, a Cottage Industries Directorate had been formed within the Directorate General of Industries and Supplies, as executive agency of the decisions taken by the Board.

The Cottage Industries Board made suggestions to tackle the problems on marketing, technology, finance etc. and they were implemented by the Union Government. At the instance of the Board, a Central Cottage Industries Emporium was started at Delhi. It aimed at the increasing the demestic market for cottage industries products. In order to explore and promote foreign market, the Trade Commissioners' offices at various places were persuaded to exhibit cottage industries products. For carrying out researches for the optimum utilisation of raw materials and to improve techniques of production for higher productivity, the Central Institute of Cottage Industries was started. Further, the Union Government placed funds at the disposal of State Governments to ensure that the developmental programmes of the sector did not suffer for want of finance. Development of small industries is primarily the responsibility of State Governments. The steps initiated by the Central Government encouraged State Governments also to intensify their efforts for the development of cottage industries in their respective states.

The Cottage Industries Board soon came to the conclusion that the above steps were inadequate to foster the growth of village and small industries. It could not undertake any worthwhile programmes for their development due to paucity of reliable data on cottage industries specifying the number and variety existing in different parts of the country, the varying stages and degrees of development in different states and so on. So at the instance of the Board the Government took steps to gather information on various industries and published them through the Industry and Trade Journal of the Ministry of Commerce and Industry. Further an all India Directory of Cottage Industries has also been brought out. In order to solve the raw material problem faced by these industries, the Government extended some direct assistance by setting apart some controlled raw materials to be distributed to them.

The First Five Year Plan reported that village industries have a central place in rural development programmes. It observed,

> "diminishing opportunities for gainful employment account to some extent for the reduction in the standard of life of some sections of rural population. Products of large scale industries have increasingly limited the market for several classes of artisans. Their occupations now give them only partial

> employment, so that they tend to join the ranks of agricultural workers. Development outside the rural sector has not been rapid enough to arrest the increasing presssure of population on land. The development of village industries should, therefore, be as much a matter of state action as the increase of agricultural production."5

The observation shows the deep concern of the Governmental authorities about the disastrous effect that the large industries brought upon the artisan sector and its repercussion on agricultural sector in the form of overcrowding. For the development of non-farm sector in rural areas and for the sustenance of traditional occupations, the Plan announced programmes like reservation of spheres of production, non expansion of the capacity of large plant, imposition of cess, supply of raw materials etc. It specified the role of State and Central Governments with regard to the development of this sector. According to the Plan Document,

> "the primary responsibility for carrying out programmes for village industries rests with State Governments but in many respects the frame work in which they execute programmes for village industries is set up by the policies followed by the Central Government. In the Centre, there is therefore, need for an organisation which will give close attention to the problems of village industries and help to create favourable conditions for action by State Government, constructive

5. Government of India, First Five Year Plan, Planning Commission, New Delhi, 1951 P.315.

organisations and village co-operatives."[6]

Since, the village and cottage industries sector comprised numerous traditional crafts, a single organisation viz. the Cottage Industries Board was found inadequate. In view of the wide variety of crafts, the Board could not discharge a number of functions such as policy making, finding solutions to their problems, issuing guidelines to State Governments and so on, effectively and speedily. This realisation by the Central Government resulted in the creation of separate organisational infrastructure for the various sub sectors of village and cottage industries like handloom, handicrafts, sericulture, coir, khadi and other village industries at the centre.

1. NATIONAL LEVEL ORGANISATIONS

1. All India Handloom Board

In the latter half of 1951, the handloom industry which was considered as the backbone of village industries sector, started facing problems of stock piling. The demand for handloom cloth declined and unsold stock mounted up. Many looms were rendered idle resulting in widespread unemployment among weavers. The Government of India was deeply concerned about this situation. It felt

6. Ibid.

the necessity of constituting a separate machinery to deal with this pathetic situation. This necessity led to the formation of All India Handloom Board in 1952.

The functions of the Board include advising Government generally on the problems of handloom industry, examining schemes for the development of the industry, promoting research, supplying yarn, establishing marketing organisation, training of personnel, encouraging co-operative effort and arranging for improved equipment. In order to assist the Board, there are separate Directors of Handloom in many states. Thus the handloom industry was taken away from the administrative responsibility of the Cottage Industries Board.

2. <u>All India Handicrafts Board</u>

With the formation of a separate Board for handloom, the Cottage Industries Board was expected to look after the remaining village and cottage industries. The Government realised that even the number of such industries was so large that a single Board could not look after them properly. Therefore, it decided to bifurcate the Cottage Industries Board into two, one for handicrafts and the other for khadi and village industries. Thus the All - India Handicrafts Board came into being in 1952.

The Board is entrusted with the functions of advising the Government generally on the problems of handicrafts industry and in particular, to improve and develop production and promote sales in India and abroad. It is also supposed to set up All India Handicrafts museums for the purpose of displaying and popularising cottage industries products. Further, the Board is to advise the Government on the grants and loans to State Governments, private organisations and institutions for financing activities in order to develop and improve handicrafts through training of personnel, promotion of sales organisation and research, introduction of better techniques, improved equipment and new patterns, procurement and supply of raw materials, improving designs, describing and enforcing quality standards, quality control and conducting economic surveys, market research and collecting and publishing statistics.

3. All India Khadi and Village Industries Board

All India Khadi and Village Industries Board was constituted in 1953 to promote and develop Khadi and Village Industries. It was intended to be composed of experienced workers in the field of khadi and village industries and a few representatives of the Central Government. The Board was vested with the power to prepare and organise programmes for the production and development of khadi and village industries. It was also made responsible for training of personnel, manufacture and supply of equipment, Supply of raw materials and marketing research and study of the economic problems of different industries. The Board was also bestowed with the executive charge of utilising the assistance extended by the Government. New schemes for village industries for which assistance might be needed from the Central Government would also be considered by the Board. It was expected to function as a clearing house of information and experience, relating to the progress of cottage industries.

4. Central Silk Board

Sericulture is another traditional industry of the country. It is an important foreign exchange earner. In order to provide special care, the Government felt it necessary to give a statutory backing to the industry. It enacted a separate Act and a Central Silk Board was constituted in 1949. The Board was charged with the responsibility of developing sericulture on right lines and bringing about improvement both by way of quality and reduction in costs. The main activities of the Board include establishment of graft nurseries, provision of irrigation facilities, expansion of existing farms, setting up basic seed stations, modernisation of existing charkha units by setting up cottage basins, establishment of cocoon markets, setting up of demonstration farms etc.

The Central Silk Board could not solve the problems of silk industry. There was no arrangement for testing the seed supplied to traditional areas for quality. Further, only traditional areas attracted the attention of the Board. The Textile Commissioner was acting as the Chairman of the Silk Board and he was only a part time officer. In the absence of a full time Chairman, the working of the Board could not be effectively monitored. This situation prompted the Central Government to reconstitute the Silk Board in 1952 appointing a full time Chairman.

Sericulture industry consists of two operations viz., rearing of Silkworms and realing of raw silk. Presently, the Central Silk Board is concerned with the development of silk upto the stage of weaving while All India Handloom Board looks after the affairs from the stage of weaving onward.

5. <u>Coir Board</u>

Coir is another cottage industry spread over the states such as Kerala, Tamilnadu, Andhra Pradesh and West Bengal. It is mainly export oriented and the exports started declining from late fifties. The declining exports caused acute competition among exporters for capturing foreign markets. In their efforts to capture foreign markets, the exporters resorted to underinvoicing, payment of low wages to workers, despatch of substandard goods to foreign countries etc. In order to save the industry from this situation, the Coir Board was constituted in 1954 in pursuit of the Coir Industries Act, 1953 passed by the Parliament, consisting of the representatives of various sectors of coir industry besides Parliament and the Governments of the principal coconut growing states. The Board is vested with the duty of promoting the development of coir industry and of taking all necessary measures like promoting exports, carrying on propaganda and publicity, regulating production, licensing internal and export marketing, undertaking, assisting or encouraging scientific, technological and economic research, collecting and publishing statistics, fixing grades, standards, improving marketing facilities, promoting sales, co-operative organisations, ensuring remunerative returns etc.

6. <u>All India Khadi & Village Industries Commission (KVIC)</u>

Soon after the establishment of Khadi and Village Industries Board, it became manifest that the Board could not function at all. Being an advisory body, it had little or no financial powers and every item of expenditure had to be approved by the Office of the Accountant, the officials of which were neither familiar with the programme nor with the mode of operations of the institutions in charge of them. The mutual incompatiability of the personnel, methods of work and modes of thinking resulted in a series of crises.[7] In order to overcome these difficulties, the Parliament enacted legislation in 1956 to create a statutory body namely Khadi and Village Industries Commission for the development of Khadi and Village Industries and erdowed it with requisite powers. The Act also provides for the Khadi and Village Industries Board functioning as an advisory body, which on consultation will advise the Commission generally in the discharge of its duties. The functions of the Commission shall be generally to plan, organise and implement programmes for the development of Khadi and Village Industries by training personnel, supplying raw materials and implements at economic rates, providing marketing facilities, undertaking, encouraging and promoting research, production of Khadi, co-operative effort, granting certificate of genuiness, maintaining and assisting institutions for the the development of Khadi and Village Industries, granting financial assistance to the State Government and State

7. J.D. Sundaram, Rural Industrial Development, Vora & Co. Publishers Pvt. Ltd., Bombay, 1970, P.13.

Statutory Boards for implementing various development programmes.

II. STATE LEVEL ORGANISATIONS

Development of small industries is primarily the responsibility of State Governments. Central Government determines the policies within which village and small industries have to be developed. The execution of these policies is the responsibility of State Governments. For this purpose, the State Governments have established a number of organisations for handloom, handicrafts, khadi and village industries and coir. In tune with this practice, the Government of Kerala has also set up similar agencies.

1. Kerala State Khadi & Village Industries Board (KKVIB)

Kerala State Khadi and Village Industries Board was set up in 1957 to look after khadi and village industries. Prior to its formation, the schemes for the development of khadi and village industries in Kerala were implemented through Industries and Community Development Projects. Activities of khadi and village industries in those days were confined to certain pockets in Travancore and Malabar and they were organised by voluntary agencies sponsored by the people associated with the freedom struggle.

In the former Travancore - Cochin State, there was an advisory body to help khadi and village industries units, But as the body was not statutory, it could not get funds from the Central Government, State Governments or Khadi and Village Industries Commission. It could only formulate policies and programmes, but funds for their implementation were routed through Industries Department and Community Development Projects. The situation of one agency formulating policies and another agency implementing them created procedural and administrative complications. Thus, there arose the need for an organisation to get over these difficulties. At the instance of the All India Khadi and Village Industries Commission, the State Government enacted the Kerala Khadi and Village Industries Board Act (Act of 1957), in pursuant to which, the Board came into operation.

The activities of the Board are to start production centres in KVI sector, to grant loans to individuals desirous of setting up cottage units, organise co-operative societies, conduct training courses, arrange for the supply of tools and materials,provide marketing facilities, encourage and promote research etc.

The sources of funds of the Board are Khadi and Village Industries Commission and State Government. While schematic funds are obtained from the former, the latter meets the administrative expenditure. From 1977, onwards the Board is availing bank finance for implementing programmes in Khadi and Village Industries.

The Board makes claims such as having organised artisans under co-operative fold through loans and other assistance, made arrangements for supply of raw materials and equipments, assisted in the establishment of sales depots and conducted training courses in most of the districts.

The Board has opened district offices in all the fourteen districts of Kerala. Financial and other types of assistance are routed by the State Board through these district offices to artisans and production centres. By opening district offices, the Board tries to ensure the availability of its services as near to the doorsteps of artisans as possible.

2. Kerala State Handloom Weavers' Apex Society (HANTEX)

Handloom is an important traditional industry in Kerala. With the formation of All India Handloom Board in 1952 and its decision to channelise assistance to the industry through Co-operative societies, a spurt in co-operative movement in handloom industry was witnessed during fiftees. These societies called primary societies supply yarn to members who weave it into cloth and return the same to the societies. The societies pay wages to members on the basis of production. In order to enable primary societies to procure raw materials in bulk enjoying economies and to provide organised marketing channels, Kerala State Handloom Weavers' Apex Society was established in 1961.

The Apex Society helps primary societies by supplying raw materials like yarn, dyes and chemicals and by marketing their finished products. In order to market the products, it has opened a number of sales depots both within the state and outside. Further, it participates in exhibitions also. HANTEX undertakes production activities too in handloom.

The paid up capital of the Apex Society is contributed by the State Government and member societies. It can take loan from State Co-operative Bank. Besides, National Bank for Agricultural and Rural Development also extends financial assistance to it. The State Government also meets a part of its working capital requirements.

3. Kerala State Handloom Development Corporation (HANVEEV)

The assistance offered by the Apex Society was limited to handloom co-operatives only. For looms outside the co-operative sector, no such assistance wasavailable until 1968. Consequently, many looms became inoperative and productivity and total production in the private sector registered a sharp decline. To help weavers in the private sector, Kerala State Handloom Finance and Trading Corporation was formed in 1968. The objects of the Corporation comprised granting loans to weavers, provision of direct link between weavers and consumers eleimination of middlemen, supplying proper designs, yarn, dyes etc. and conducting research to improve productivity.

The business of granting cash loans to private weavers could not be carried long. It was continued only upto 1977. By that time, there were huge outstandings on account of loans disbursed, and supply of yarn, dyes and fabrics on credit. Faced with financial difficulties, the Corporation stopped the business of granting cash loan and continued all other activities. The name of the Corporation was changed to Kerala State Handloom Development Corporation.

The Handloom Development Corporation can borrow from banks. Its resources are supplemented by loans from State Government.

4. Handicrafts Development Corporation

Handicrafts Development Corporation was started in 1968. It concentrates on supply of raw materials, marketing of products, training of craftsmen etc. The Corporation has undertaken marketing the products made by artisans to eliminate their dependence on middlemen. It has so far opened 19 sales emporia of which 8 are in the State and 11 outside the State.

The Corporation has a common facility service centre at Thiruvananthapuram. Experienced master craftsmen offer technical advice to needy artisans who make use of the facilities at the centre. Besides the Corporation imparts training in wood carving.

The Corporation is running a raw material depot and procurement centre for the distribution of raw materials and procurement of finished goods. About 10,000 artisans are getting the benefits through the programmes implemented by the Corporation.

With a view of to projecting the image of handicrafts goods and to boost sales, it conducts demonstration-cum-exhibition programmes in several parts of the country.

The paid up capital of the Corporation is contributed by the Government of Kerala and Office of the Development Commissioner (Handicrafts) Delhi.

5. Handicrafts Apex Society

Handicrafts Development Corporation extends assistance to individual artisans. The Government's policy aims at bringing more and more artisans under co-operative fold. In order to assist these co-operatives in procurement of raw-materials and marketing of finished goods, an Handicrafts Apex Society with Head Quarters at Ernakulam has been established in 1964.

The Apex Society enjoys cash credit facility from the Reserve Bank of India. Besides, it receives grant from Development Commissioner, Delhi, All India Handicrafts Board and State Government.

It supplies raw materials at subsidised rates. It procures and markets the products made by the societies. It conducts exhibitions outside the state to popularise the products of the members. Besides, craftsmen are given training on the latest method by the Apex Society.

6. Kerala State Co-operative Coir Marketing Federation (COIRFED)

Prior to the formation of Coir Marketing Federation, there were four Central Marketing Societies in the State engaged in the procurement of coir products from primary societies and their sale. During the late seventies, three of them fell sick making it impossible for them to perform marketing function on behalf of members. This situation forced primary societies to sell their products to private parties fetching low prices. In 1979 the non-viable central marketing societies were merged with the viable society and thus Kerala State Co-operative Coir Marketing Federation formed. It has four regional offices at Alappuzha, Kollam, Kochi and Kozhikode.

The prime objective of the organisation is to provide maximum level of employment opportunities to coir workers under the co-operative fold ensuring better wages by marketing the coir yarn and coir products manufactured by the primary coir co-operative societies. Its sales outlets include 54 own show rooms, 24 agency show rooms, 3 mobile show rooms and other dealers.

Besides marketing coir yarn and products, Coirfed has taken up manufacturing activities. It has established a Rubberised Coir products unit at Alappuzha for manufacturing mattresses, pillows, cushions etc. The Rubber Backing Unit at Alappuzha for manufacturing rubber backed door mats and the Mechanised Defibring Unit at Kannur for extraction of coir fibre from retted coconut husk are the other established production units of Coirfed.

Coirfed is engaged in research activities also for the purpose of modernising production. It undertakes development of new products to ensure maximum utilisation of coir fibre available in the state and to create more employment opportunities.

7. Kerala State Coir Corporation

Coir is mainly an export oriented industry and products meant for export are manufactured by numerous unorganised small scale producers. To export coir goods, they used to seek the help of merchant exporters who do not have any manufacturing activity. Small scale producers do not get reasonable price for their produce from merchant exporters. In order to stabilise coir industry by giving business support to a large number of workers in the manufacturing sector and also to function as an export house for coir and coir products, Kerala State Coir Corporation was established in 1969. The share capital of the Corporation was subscribed to by the State Government, Financial Institutions and Nationalised Banks.

Apart from external market, it concentrates on internal market also. For this purpose, it has opened show rooms in all important cities like New Delhi, Ahamedabad, Calcutta, Simla, Bangalore and Madras.

The Corporation is concerned with the training of workers, improvement of the colour and quality of coir products as well as its diversification. To impart training, it has taken over Model Training Institute at Beypore. It has started a modern dye house at Alleppey to supply dye. The Corporation makes available finance and raw materials to small-scale manufacturers.

In the Second Five Year Plan, steps were taken to strengthen the State Departments of Industries. As a result, the State Director of Industries who is responsible for the development of the industrial sector in the State, came to be assisted by a team of technical officers. Besides, during this plan period, Industries Officers were appointed at the district and block levels. Thus by the end of the Second Five Year Plan, a three-tier organisation was developed - the Ministry of Commerce and Industry at the Centre, All-India Boards, and State Departments of Industries and State Boards. In order to co-ordinate the programmes of these agencies, a Co-ordination Committee has been set up at the Centre for small industries consisting of the Ministries concerned and the Chairman of All India Boards and the Khadi and Village Industries Commission. Similar Co-ordination Committees have been constituted in most of the states also.

In short, a number of organisations have been set up both at the Centre and State for the promotion and development of village and cottage industries. The Central level organisations are concerned with mainly the formulation of policies, advising the Government on the measures to be taken to tackle their problems and issuing guidelines to State Organisations. The State level agencies perform the functions of supplying raw materials, modernising techniques of manufacture, training and offering marketing facilities.

CHAPTER III

GOVERNMENT SCHEMES FOR VILLAGE AND COTTAGE INDUSTRIES

An important problem faced by the village and cottage industries as identified by the Industries Conference in 1947, is competition from the mechanised sector. The mechanised sector using capital intensive technology, is in a position to produce goods cheaper than that is produced by the village and cottage industries sector. Machine made goods due to their cost differential have larger appeal to the consuming public than those made by traditional techniques. In order to protect traditional industries from competition by the large organised sector, the Government has been following protective measures titled as 'Common Production Programme' since the First Five Year Plan. Likewise, with the object of ensuring market for cottage and small industries, the Government launched a Stores Purchase Programme in 1956-57 reserving items for exclusive purchase from small units. The programme is in operation even now. Again, in order to enable artisans to enjoy the economies of large scale operation and to make them free from the exploitation by middlemen, the Central and State Governments have been encouraging craftsmen to organise production under co-operative societies through various incentives. This chapter deals with an evaluation of these schemes.

COMMON PRODUCTION PROGRAMME

The ultimate object of the Government with regard to village and cottage crafts was to make them self supporting through technological changes. The traditional techniques employed by these industries accounted for a substantial volume of employment. Encroachment to the areas of these traditional industries by large capital intensive industries would cause large scale labour displacement. To avoid such large scale labour displacement, the Government wanted to prevent the trespass or large scale industries into areas dominated by village and cottage industries. For this purpose, the Planning Commission developed a protective mechanism titled as 'Common Production Programme' in the First Five Year Plan. The Common Production Programme involved the determination of the participation by the large and cottage and small industries in the production of consumer articles in the country. It was intended to be applied to sectors wherever a small industry had to compete with large unit.

The Common Production Programme comprised three elements viz;

1. reservation of spheres of production;
2. non-expansion of the capacity of large plants and
3. imposition of cess on mill products.

Reservation of spheres of production envisaged demarcating certain products for exclusive manufacture by small units and protecting these areas from trespass and competition by the organised sector. The policy aims at enlarging the market for the products of small units. In the absence of competition from organised sector, cottage and small units can easily find a market for their products. Thus the measure is justified on social grounds.

The second element in the Common Production Programme was the non expansion of the capacity of large plants. Prof. P.C. Mohalanobis was an advocate of this idea. He recommended, in his Memorandum on the Second Plan frame that, "until unemployment is liquidated or brought under control, it is necessary to prevent competition between factories and household or hand industries by not permitting investments to be made in such consumer goods factories as would prevent expansion or lead to shrinkage of employment in hand industries."[1] The

1. Annual Report of the AIHB 1954-55, Government of India, Memorandum to Karve Committee, P.59.

advantage of this measure is that it provides some areas for traditional industries to flourish without being affected by the competition from large organised sector.

The imposition of a cess or excise duty on the products of large industries was the third constituent of the common production programme. The object of this measure is to bridge the differences in the costs of production of the two sectors and to make use of the cess for technical improvements and better organisation of the small scale cottage and traditional industries.

Although the Common Production Programme was formulated by the Planning Commission even during the First Five Year Plan, no step has been taken for their implementation during the plan period except for handloom. It was extended to other industries only during the Second Five Year Plan.

As stated above, measures of Common Production Programme began to be implemented for handloom from 1950 onwards. The logic behind its application first to handloom was that the sector provided maximum employment in the country next to agriculture. After the Second World war, when mill made cloth became freely available in the country, the demand for handloom cloth declined. There was huge accumulation of stock and the weavers found it difficult to dispose off their products. The conditions deteriorated further towards the late forties and many weavers were thrown out of employment. In order to reduce the problem of unemployment and underemployment, the Government reserved some items for exclusive manufacture by handloom. The items comprised dhoties, lungis, chaddars, bed sheets, bed covers and counterpans, table cloth and napkins, dusters and sarees with borders exceeding 2½" in width. Besides, control was exercised over the productive capacity of mills with the object of minimising the area of competition to handloom industry. Further as these measures alone could not solve the problem, in 1953, a cess was levied on mill cloth. Later during the same year, additional excise duty was imposed on the production of dhotis by mills in excess of the prescribed ceiling to raise resources to finance the development of handlooms and khadi.

The Common Production Programme was given greater thrust during the Second Five Year Plan by the Central Government extending it to more industries. Industries such as handpounding of paddy and ghani oil were brought within its ambit, in response to Karve Committee's recommendation. During this Plan period, the Government of India enacted the Rice Milling Industry (Regulation) Act through which it empowered the State Governments to regulate the establishment of new and the revival of the operations of the old rice mills to protect the decentralised hand milling industry. For village oil, the Centre directed the State Governments to reserve specified varieties of oil seeds and impose restrictions on the establishment of any additional power-driven oil mills that already had sizeable unutilised capacity. The argument advanced by the Government in support of these measures was the generation of employment opportunities to rural masses.

As a result of these measures, the Governmental authorities made claims like increasing production of handloom cloth from about 742 million yards in 1950-51 to 1900 million yards in 1960-61 and providing fuller employment to 3 million weavers.[2] But Government statistics relating to handloom production and employment were questioned by the Mill Owners Association. Instead of clarifying the things the Government stopped the system of publishing detailed accounts and started giving only a consolidated estimate of the production of both handloom and powerloom. The Governmental authorities estimate handloom production on the basis of yarn supply. It is reported by many authorities that bulk of the production in handloom was made by powerloom and that the restrictions

2. Government of India, Third Five Year Plan Draft Outline, Planning Commission, P.429.

on mills really benefitted the powerloom sector. This has not been denied by the Government. The findings of the Working Group that assessed the progress of handloom industry during the Second Plan period exemplify this point. It reads,

> "What is however noteworthy is that neither the Handloom Board nor the Office of the Textile Commissioner has so far been able to refute the thesis that production in the handloom sector, estimated on the basis of free yarn supply, has been more or less stationery; and increase in production attributed to the handloom industry belongs in fact, to the illegal growth of the powerloom industry."[3]

Similar revelations have been made by others also. O.S. Krishna Murthy reports, "reservation has enabled small powerloom units as also unauthorised powerlooms to take advantage at the expense of handloom sector".[4] Thus the arguments advanced by experts in the field and the findings of the Working Group confirm that there has been encroachment by powerloom on items reserved for handloom. It indicates the Government's failure to execute the policy for the benefit of the weaker section.

In respect of handpounding and village oil, the Government did not make any pronouncement of achievement.

3. Quoted by J.D.Sundaram, Rural Industrial Development, Vora & Co., Publishers Pvt. Ltd., Bombay, 1970, P.84.
4. O.S. Krishna Murthy, "The Cotton Handloom Industry in India", Commerce Pamphlet 27, Vora & Co. Publishers Pvt. Ltd., Bombay, March 1970, P.20

The Karve Committee's recommendation was to ensure that the increased production of paddy, during the Second Plan, of about 6.6 million tons had to be processed almost entirely by handpounding. But, in the Third Plan document, there was no reference to output by handpounding. On the other hand, the Plan document admitted that some of the main intentions of the Rice Milling Industry (Regulations) Act have not been fulfilled.[5] It also states that the intentions were jeopardised by some States by licensing new milling capacity.[6] Thus there was lack of co-operation on the part of State Governments in making the scheme a success. Similar indifferent attitude on the part of State Governments, also affected the prospects of village oil industry. It is reported that reservation of oil seeds as intended by the Central Government was not possible due to the apathy or indifference of State Governments.[7]

In addition to non co-operation by State Governments, there were other factors also responsible for the failure of the scheme. One is the high cost of the products. The cost of handpounded paddy was higher than that of the machine pounded rice due to low productivity. So

5. Government of India, Third Five Year Draft Outline, Planning Commission, New Delhi, P.443.

6. Ibid.

7. J.D. Sundaram, Rural Industrial Development, Vora & Co. Publishers Pvt. Ltd., Bombay, 1970, P.95.

the consumers naturally prefer the latter. The workers were also not happy due to the physical strain involved and the low wages, they realised. In the case of village oil, the KVIC supported the Government efforts by introducing a superior technology called 'Wardha ghani'. Operation of this equipment required strong able bodied bullocks. About the impact of this technology on village oil, J.D. Sundaram reports, "a sizeable number of the improved ghanis that were introduced during the plan period went out of order owing to defective manufacture; several remained idle for want of required type of bullocks and several more for want of oil seeds".[8] Introduction of the technology without adequate field tests accounted for this state of affairs. In the matter of cost also, village oil was at a disadvantage. Oil ghani production is estimated to cost Rs.4 per maund higher than the oil produced by mills.[9]

In short, the common production programme for village oil and handpounding failed due to lack of co-operation by State Governments, poor technology, high cost of products and low rate of wages. It indicates that even through protective measures, an industry cannot be developed unless it ensures better rewards to the consumers, workers

8. Ibid. P.92
9. S.C. Mehta, Industrial Co-operatives in India, Atma Ram and Sons, Delhi, 1975, P.70.

and producers. Mere implementation of the protective mechanism overlooking the other aspects essential for the success of an industry indicates lack of farsightedness on the part of planners and administrators.

Shift in Strategy

The Central Government decided to change the strategy for developing village and cottage industries from Third Plan onwards. It began to place less stress on subsidies and sheltered markets; instead tried to make them self supporting through positive forms of assistance like technological upgradation, ensuring adequate supply of raw materials, concessional finance etc. The Third Five Year Plan document reads, "the approach towards the village and small scale industries would be to improve productivity of the worker and to reduce progressively the role of subsidies, sales rebates and sheltered markets".[10]

In fact, the above pronouncement did not take place in its absolute form. The Government began to make use of reservation for the protection of small industries.

Reservation for handloom is continued even at present. But the problem i.e. encroachment by powerloom

10. Government of India, Third Five Year Plan Draft Outline, Planning Commission, New Delhi, P. 199.

on handloom sector which had been in existence right from the promulgation of the reservation order, persists even today. Though the Government officials were aware of this problem, there have been no sincere efforts to prevent this so far. Even a confession to this effect is made only belatedly. The Sixth Five Year Plan Draft reads, "so far 12 items have been reserved for handloom but there have been problems in the effective enforcement of orders."[11] The Seventh Five Year Plan Draft announces "effective measures would be evolved to prevent encroachment of the powerloom sector on items reserved for handloom.[12]

However, the experts opine that the measures have not succeeded so far. Pragada Kotaiah in his article "what ails the handloom industry" says,

> "in the case of full employment throughout the year, 30 lakh handlooms in the country are capable of producing 6000 million metres of cloth at the rate of 2000 metres per loom, as agreed to by the Textile Commissioner, Government of India, Bombay. But the annual target of cloth production allotted to handloom was less than 4500 million metres in the Seventh Five Year Plan. Further as against the requirement of 450 million Kgs. of yarn for handlooms to produce 4500 million metres of cloth in the last year of Seventh Plan, the hank yarn stated to have been produced and put

11. Government of India, Sixth Five Year Plan Draft Outline, Planning Commission, New Delhi, P.195.
12. Government of India, Seventh Five Year Plan 1985-90 Volume II, Planning Commission, New Delhi, 1985, P.103.

> to sale last year was less than 325 million Kgs. The Indian Cotton Mills Federation and the Management of Power-looms agreed at a meeting held by the Planning Commission that about one third of the available hank yarn was used by powerloom. The net available hank yarn intended for handlooms and several other uses must have been 200 Million Kgs. which if made available fully would be sufficient to produce only 2000 million metres of cloth"13.

The above allegation also indicates that there are growing problems of unemployment and underemployment among handloom weavers and the Governmental authorities by exaggerating statistics relating to handloom production and employment are attempting to conceal these problems. Reservation for exclusive production is used by Planners and administrators for the benefit of small industries. Today, there is a very large list of items numbering 836 reserved for exclusive manufacture by small units. But there is no specific reservation of items among the small scale units and village and cottage industries constituting the weakest among the weak. The authorities are treating the modern small industries and village and cottage industries alike for the purpose. But there are marked differences between the two in terms of level of technology, entrepreneurial ability, scale of operation etc. Such being the case, village and cottage units are not in a

13. Pragada Kotaiah, "What ails the handloom industry", Yojana April 30, 1991, Volume 35, No.7, P.11.

position to compete with modern small scale units. In short the village and cottage industries really require protection from modern small scale units for their survival. The All India Khadi and Village Industries Board at its meeting held in March 1986 at Bombay made this point clear. It stated,

> "The Board felt it strongly that there is need for according a separate place for KVI sector and not club it with modern small scale sector as at present, as what is good for small scale sector is not necessarily so for the KVI sector, especially in areas where both produce similar products that would compete with each other. The Board therefore, urges upon the Government to realise the need to make available relative benefits to KVI sector vis-a-vis the small scale and large scale industries."14

Despite the representation by the Board, the Central Government has yet to take a decision.

However, this does not mean that the protective measures are always beneficial to the economy and the industries. Reservation breeds inefficiency. It eliminates competition which is necessary for entrepreneurs to focus on cost saving devices and increasing efficiency. By restricting supply, the public are forced to pay higher

14. Government of India, Khadi and Village Industries Review Committee Report 1987, Ministry of Industry, New Delhi, 1987, P.325.

prices for the goods. About this, Ch. Uma Maheswara Rao remarks, "on strict economic grounds it appears that by simply adopting this measure, we cause conditions for the units perpetually remaining inefficient and uneconomical.[15]

Non expansion of the capacity of large plant dampens the spirit of a large industry to expand its activities or to diversify it to other fields. Consequently, employment creation in the large organised sector is adversely affected. Regarding this measure, Uma Maheswara Rao remarks,

> "if the expansion of the capacity of large mills and opening of new mills are prohibited, the entrepreneurs of that industry are confronted with a psychologically peculiar situation. They may not be interested in expanding industries in other directions, when the lines with which they are intimately connected and which they foundly wish to develop are denied to them. And thus one possible source of additional employment and income building would be staunted."[16]

In this connection, it is worth noting the revelation made by Mr. V.S. Mahajan regarding the impact of restrictions imposed on the mill sector for the protection of khadi and handloom. He says,

> "____________ the extraordinary enthusiasm displayed to protect the Khadi

15. Ch. Uma Maheswara Rao, Small Scale Industries, Popular Prakashan, Bombay, 1965, P.154.
16. Ibid. P.151.

> sector at any cost has not only miserably failed, more importantly it discouraged the growth of the mill sector. It was only after the artificial curbs put on the growth of the modern textile sector were relaxed and ultimately done away with thet the latter emerged as the country's most powerful sector. Infact, if statistics were available, these would clearly demonstrate that the rate of growth of employment in the mill sector (including powerlooms) has been higher than in the khadi sector.[17]

In view of the above defects of protective measures in the long run, they not only hamper the growth of the economy but also those of the units which enjoy them. Although the Planning Commission declared its view to increase the productivity of small industries through positive forms of assistance and to reduce the role of subsidies and sheltered markets, the Governmental authorities go on increasing the list of reserved items year by year.

GOVERNMENT PURCHASE PROGRAMME

The policy of reservation is actually intended to help small units to market their products successfully. The Government is the largest buyer of a large variety of of goods. It thought of giving a preferential treatment for the small units in its Stores Purchase Programme.

17. V.S. Mahajan, "For Villagers or Urbanites" Hindu dated August 6, 1991, P.15.

So the Central Government formulated the Stores Purchase Policy which definitely helps in marketing their products.

The Central Stores Purchase Policy contains the following three phases.

1. Where basic considerations like quality, delivery date etc. are comparable and satisfactory, the products of cottage and small scale industry have to be preferred to products of large scale industries.

2. When products of cottage and small scale industries have certain advantages over the products of large scale industries and the small industries are able to supply them on competitive terms, full priority should be given to small scale industries in respect of Government purchases over large scale industries.

3. In the case of other products of small scale industries, suitable relaxation as regards specifications and price advantages when supplied through a recognised body like a co-operative society should be allowed according to circumstances and merits of each case.

In addition, a number of facilities are provided to small units under the programme. They are;

1. Free registration with DGS & D.
2. Free supply of tender forms.
3. Exemption from payment of earnest money and security of deposit.

4. Price preference upto 15% in case of selected items.

The number of items reserved for exclusive procurement from small units has been increased from 16 in 1956-57 to 409 in 1986-87. The numbers of items in the handloom and handicraft sectors are 4 and 14 respectively in 1986-87. Handloom and handicraft have specific reservation while the other village and cottage industries do not enjoy such a facility since KVI are treated as part of small industries sector. Treating KVI sector at par with modern small scale sector in practice deprieves the former of the benefits of the purchase by the Government. As stated earlier, modern small scale units with better technology, better scale of operation, better entrepreneurship and greater access to other infrastructural benefits are more competitive than village and cottage units.

The Central Government has been following a policy of procuring khadi from khadi production centres even from the early years of independence. The Government decided in 1955 that Khadi cloth required by it should be purchased from the All India Khadi and Village Industries Board at prices quoted by the Board without following usual tender procedure and insisting on security of deposit. The Home Ministry tried to increase the procurement by issuing a circular in 1958 that cotton khadi cloth should be used for all Government liveries of class IV employees.

Besides, the KVIC was also called upon to supply woollen cloth for liveries and barrack blankets. This system was first breached in 1971 when P & T Department stopped purchasing khadi. Other departments also followed the suit and thus, the quantum of cotton khadi purchased by Government began to decline year after year due to increasing resistance of users and giving preference to blended fabrics manufactured by National Textile Corporation.[18] The Home Ministry also changed its earlier policy in regard to liveries for Class IV personnel. Again the woollen surge made by NTC came to be preferred to woollen khadi.[19] Thus the share of khadi in Government Stores Purchase gradually decreased.

As regards purchase preference by State Governments for khadi and village industries products none other than Tamilnadu, Gujarat and West Bengal have taken positive steps. According to a policy formulated in 1981, the products of the units recognised by Tamilnadu Khadi and Village Industries Board can be purchased for their requirements by the State Government Offices without going through the tender procedures. Likewise, Gujarat Government has accorded purchase preference for KVI products manufactured in Gujarat. The effectiveness of the policy has yet to be ascertained.

18. Government of India, Report of the Khadi and Village Industries Review Committee 1987, Ministry of Industry, Delhi, 1987, P.330.

19. Ibid.

In short, the price preference in Government purchases is only for the modern small-scale industries and the weakest among the weak is left out of the scheme. Preference in purchases for the weaker section is a welcome affair in the initial stage. During this period, they should be encouraged and assisted to become competitive. Continuance of the preference facility indefinitely will only help to maintain these units as parasites of the economy. It involves wastage of public funds for the benefit of a small group - the entrepreneurs and the workers of such units.

CO-OPERATIVISATION

The Central and State Government have relied much on industrial co-operatives for the development of village and cottage industries. Co-operation has the advantage of bringing freedom and opportunity for small men with benefits of large scale management and organisation. It is therefore, visualised that the programmes aimed at development of co-operative societies of artisans, craftsmen and small industrialists. There was emphasis on this aspect over the successive Five Year Plans of both the Central and State Governments. The Committee which prepared the plan of action for the Second Five Year Plan (Karve Committee) also highlighted the need for forming co-operative societies of artisans and craftsmen.

The co-operative societies are expected to perform functions such as bulk purchase of raw materials, retail them for cash or on credit to members, raise money for the industry by the issue of shares and by borrowing them in the form of deposits, procure finished goods from members and market them on most favourable terms. There are also societies which offer work space and tools where member artisans work for wages. Such societies also make bulk purchase of raw materials and provide for the marketing of finished goods. By buying in bulk, the society can enjoy economies of large scale operations and thus, the cost per unit will be less than that in individual buying. The resources of a society being large, permit the acquisition and installation of modern appliances that are beyond the reach of an individual artisan. Besides, to have economical use of these costly modern devices, large scale operation is required which will be possible only by a group of artisans. The sale through a society is supposed to liberate artisans from the clutches of middlemen in marketing. In short, co-operative as the field level organisation confers many benefits on craftspersons, which they cannot derive in their individual capacities. It is, infact, expected to improve their lot.

Both Central and State Governments offer various kinds of assistance to induce artisans to form industrial co-operatives. The incentives consist of exemption from tax,stamp duty and registration charges, loans at low rate of interest, share capital assistance, grant towards recurring expenses, training of personnel etc.

The commencement of cess fund by the Handloom Board in 1953 and the decision of the Board to channelise this fund to weavers through co-operative societies provided an inpretus to handloom weavers to form co-operatives. As the Central and State Governments preferred co-operative form, the KVIC also adopted a policy of encouraging the formation of co-operatives by artisans in KVI sector. A similar stand taken by other All India Boards and State Level Agencies led to the formation of a number of co-operative societies by craftsmen in their respective areas.

The above trend of forming co-operative societies by artisans has been noticed in the State Kerala also since the commencement of the planning era. Thus a number of co-operative societies are formed in coir, handloom, handicrafts and khadi and other allied village industries. The numbers of co-operative societies in coir, handloom, handicrafts and KVI are 828, 590, 320 and 1741 respectively as at the end of March 1989.[20]

Although the numbers of co-operative societies appear to be large in the above industries, there still exist a large number of artisans uncovered by the co-operative sector. For instance co-operative arena in coir accounts for only 20 percent of coir workers.[21] Likewise it is reported that only 15 percent of coir production is taking place in the co-operative sector.[22] In handicraft, out of a total of about one lakh craftsmen, only 30,000 have been brought under co-operative coverage.[23] In KVI sector while the SKVIB promoted 1741 co-operative societies and 1402 registered institutions, the number of individual units financed is as high as 7001 as the end of March 1989.[24] The unorganised sector has been reduced to the

20. Government of Kerala, Report of the Steering Committee on Industry and Mining Eighth Five Year Plan 1990-95, State Planning Board, Thiruvananthapuram, P. 55, 59 & 65 and Annual Administration Report of KKVIB 1988-89, Thiruvananthapuram.

21. Government of Kerala, Economic Review 1991, State Planning Board, Thiruvananthapuram, P.71.

22. Government of Kerala, Report of the Steering Committee on Industry and Mining Eighth Five Year Plan 1990-95, State Planning Board, Thiruvananthapuram, 1990. P.55.

23. Ibid. P.65.

24. Annual AdministrationReport of KKVIB 1988-89, KKVIB, Thiruvananthapuram, P.17.

minimum in the case of handloom. Out of the estimated number of 52,000 looms during 1990-91, 40,591 looms are in the co-operative sector, 6361 in the Corporate Sector and 5048 in the unorganised sector.[25]

Even the performance of co-operative societies is far from satisfactory since a vast majority of them are defunct. Table 3 shows details of co-operative societies organised and defunct in various sectors as at the end of March 1989.

Table - 3

No. of Co-operative Societies organised and No. Defunct/ under liquidation at the end of March, 1989.

		Total number formed	No. defunct	Percentage
1.	Coir	828	380	45.89
2.	Handloom	590	132	22.37
3.	Handicrafts	320	194	60.63
4.	KVI	1741	1161	67.03

Source: Report of the Steering Committee on Industry & Mining Eighth Five Year Plan 1990-95, State Planning Board, Thiruvananthapuram P.55, 59 & 65 and Report of KKVIB 1988-89, KKVIB, Thiruvananthapuram, P.17.

25. Government of Kerala, Economic Review 1991, State Planning Board, Thiruvananthapuram, P.71.

As indicated in the table the maximum percentage of dormancy is shown by the KVI sector followed by handicrafts, coir and handloom. The relatively low percentage of dormancy is no indication of better performance of co-operatives in handloom. It is reported majority of the working societies in this sector are non viable.[26] Again, an important purpose of bringing artisans under co-operative sector is to improve their productivity. But this has not been accomplished in handloom. The productivity (metre per loom) in the co-operative sector in handloom is only 1071 while that in unorganised sector is 1903.[27]

The discussion with the officials of the Societies covered under field survey, indicated that they have all been set up by local influential people. Societies in Match and Fibre reported provision of employment to local people as the object behind formation. Those in Pottery, Bee-keeping and Lime stated other objects also like deriving collective benefits and offering marketing facilities. The people of all these societies conceded that they did not look into other aspects like feasibility of the project, availability of raw materials and marketing prospects.

26. Draft Eighth Five Year Plan 1991-92 and Annual Plan 1992-93 Volume I, State Planning Board, Thiruvananthapuram, 1991, P.73.

27. Op. cit P.209.

The officials of the co-operatives reported that great enthusiasm is evinced by SKVIB at the time of formation of societies. The project officials for the respective industries prepare the feasibility reports on behalf of societies and sanction is given for implementing the projects quickly. This is partly due to the influence that the founders of the societies command and partly due to the enthusiasm of the Board in setting up units and thus fulfilling employment and production targets. According to the respondents, once the units come up, this spirit of the Board officials is lost. The project officials and co-operative inspectors attached to the district Board office, are required to visit the units frequently and supervise activities. But the officials of the Board are seldom performing this vital function. Thus the societies suffer from ineffective supervision and lack of guidance from the officials of the Board.

Workers join the societies with the hope of getting wages comparable to those prevailing in alternate occupations. On finding that their actual wages is low, they leave the units. Scarcity of workers is reported to be a problem faced by Match and Fibre Units. In Bee-keeping, the services of the societies are limited to the supply of items. This is mainly due to the low price paid to them for honey supply. KVIC is fixing the price at which societies have to procure raw honey from bee-keepers. There is no provision for varying the price on the basis of that prevailing in the open market. Open market price of honey, often, rules higher than the price fixed by the KVIC. This induces the bee-keepers to sell the honey in the open market. Only the unsold portion is supplied to societies. The limited volume of honey handled by the societies makes them unable to generate surplus large enough to meet their expenses and repayment obligations towards interest and loan. In the case of societies in pottery, charges, usually nominal, are deducted from the earnings of artisans towards establishment expenses. But the artisans view it as exploitation and hence prefer to work individually. In short co-operative societios in Match, Fibre and Pottery are found working with lesser number of workers than those at the time of their formation.

Efficiency of the persons in charge is an essential prerequisite for the successful functioning of a co-operative society or any other organisation. To make these key personnel efficient enough, KVIC is arranging training programme. But it is reported that none of the managers of the societies surveyed has undergone training. Again since the salary, offered by the societies is low, change in management is a frequent case among them.

In short, the successful functioning of the societies is found hampered by factors like lack of proper viability studies, ineffective supervision and guidance, smaller number of workers, mistrust between management and artisans and incompetent management.

Khadi and Village Industries Review Committee (1987) appointed a Working Group headed by Sri. K.P.Padmanabhan to go into the cause of dormancy among KVI co-operatives. The Working Group reported, both organisational problems and the problems of industries are responsible for dormancy. The organisational problems identified by the Group are weak financial base, limited membership, domination by vested interests, inadequate supervision and control as well as overall apathy to the problems faced by the industrial co-operatives by the concerned authorities.[28]

Referring to coir co-operatives in Kerala, Sri. Vasukutty remarked, "the programme of co-operativisation did not achieve the targeted goal in coir industry".[29] He states although new co-operatives are being organised there is no effective supervision and guidance and no additional staff have been posted for the purpose.[30]

28. Government of India, Khadi and Village Industries Review Committee Report 1987, Ministry of Industry, 1987, P.127.

29. Vasukutty, A Note on Coir Industry in Kerala, State Planning Board, Thiruvananthapuram, P.3.

30. Ibid. P.12.

He attributes the failure of co-operatives in coir to factors like entry of middlemen, inadequate working capital, lack of competent managerial personnel, ineffective supervision and exploitation by husk retters etc.[31]

To conclude, the Government's policy of protecting village and cottage crafts from competition by the large organised sector was given greater thrust during the Second Plan. The policy did not succeed due to non co-operation from State Governments, technological defect, low wages of artisans and high costs of products. Reservation for handloom is continuing even now, but the benefits are reaped by powerloom. Though the Government has a long list of reserved items, village and cottage industries cannot derive any benefit out of it as they are treated on an equal footing with modern small scale industries. On account of the same fact, cottage crafts stand at a disadvantage in the matter of Government Stores Purchase Programme. Co-operatives as the field level Organisation for craftsmen are ineffective due to weak management, inadequate supervision and guidance by the officials, mistrust between management and artisans and lack of proper feasibility studies.

31. Ibid. P.3.

CHAPTER - IV

TECHNOLOGY, TRAINING, RAW-MATERIALS AND LABOUR

Technology, training and raw materials have an important bearing on the earnings of artisans. In order to modernise the techniques of manufacture, various research institutions have been set up for village and cottage industries. For the upgradation of skill, the Central and State Level Organisations conduct training courses frequently. In addition, to remove the raw material constraint, various regulatory measures have been adopted from time to time. Institutional arrangements also exist for the bulk purchase of raw materials and their distribution among artisan units. An evaluation of the level of technology, training programmes and arrangements for raw materials is made in this Chapter.

TECHNOLOGY

Outdated technology was a major problem for village and cottage industries in the early years of independence. Lack of technological improvement resulted in the production of articles which did not command wide consumer preference and they could fetch only low prices. Consequently, the earnings of artisans were low. Further traditional methods involved very strenous and tedious operations on the part of artisans to manufacture things. Again, the emergence of the organised sector producing similar articles in a standardised form using modern technology at lower cost posed a serious threat to the survival of village and cottage industries. To make village and cottage industries products competitive with those of large industries, there was need for modernisation of technology. By increasing production, it can enhance the earnings of artisans to a level that makes it attractive for them to continue in their occupations. There was great emphasis on technological aspect of these industries in the successive Five Year Plans. Both the Central and State Governments have established a number of research institutions for khadi, handloom, handicrafts, coir and other artisan based units. Jamanlal Bajaj Research Institute of Wardha, Central Bee-keeping Research at Pune, Central Silk Seed Stations at Sri Nagar and Coonoor and Central Tasar Silk Worm Seed Station, Council for Scientific and Industrial Research, Institute of Handloom Technology, the two Research Stations run by the Coir Board one in Kerala and the other in West Bengal are few among them.

Because of the efforts of above research institutions, the production techniques of traditional industries have undergone a change. Partial mechanisation has taken place in various sectors. An evaluation of the impact of technology on village and cottage industries is done here.

Khadi

Khadi is a traditional industry that has witnessed a series of technological changes after independence. This has resulted in an improvement in the productivity of workers in its various operations such as carding, drawing, roving, spinning and weaving. Table No.4 indicates the improvement in productivity.

The Table shows an improvement in productivity of all the stages of Khadi production with the use of improved technology. This has led to a decrease in the cost of production of handspun yarn. Table No.5 stands as an evidence to it.

Table - 4

Improvement in Productivity of Khadi

Carding:				
	Traditional low-carding	3.5	Kgs/8	Hrs.
	Pedal Carding	8.0	"	"
	Power Carding	16.0	"	"
Drawing:				
	Hand operated drawing frame	4	"	"
	Power operated drawing frame	16	"	"
Roving:				
	Hand operated roving frame (4 spindle)	4	"	"
	Power operated roving frame (15 spindle)	20	"	"
Spinning:				
	Traditional Charkha	3	"	"
	Wooden Ambar Charkha	8	"	"
	2 Spindle New Model Charkha	6	"	"
	6 Spindle NMC	16	"	"
	12 Spindle NMC	35	"	"
Weaving:				
	Traditional pit loom	5	Metres	"
	Improved frame loom	6	"	"
	Semi automatic loom	6	"	"

Source: K. Kasturi and P.S.S. Sreenivasan, "Khadi Production - 'A Viable Production" Economic Times dated 8.3.1982, P.7.

Table - 5

Cost of Hand Spun Yarn

Traditional Charkha	--	100
Ambar Charkha	--	75
6 Spindle Charkha	--	62
12 Spindle Charkha	--	57

Source: K. Kasturi and P.S.S. Sreenivasan, "Khadi Production - 'A Viable Proposition" Economic Times dated 8.3.1982, P.7.

The table shows a steep fall in the cost index of handspun yarn on 12 Spindle NMC. However the cost of Khadi is still higher than that of mill cloth. For instance, rough estimates available on 20/24 dhotis suggest that the per metre cost of khadi is 2.2. times that of mill product, 1.9 times that of handloom cloth and 1.2 times that of powerloom.[1]

In spite of the increased technology, there is no appreciable increase in the wages of workers. A study on khadi industry in Tamilnadu and Kerala disclosed that an

1. K. Kasturi and P.S.S. Sreenivasan, "Khadi Production - A Viable Proposition" Economic Times dated 8.3.1982, P.7.

artisan working on a 2 spindle NMC earns on an average Rs.3 a day, while on a 6 spindle NMC, the average daily earnings range from Rs.4 to Rs.6 going upto Rs.6 to Rs.8 on a 12 spindle NMC for 8 hours of work.[2] The weaver manages an average daily wages ranging from Rs.2 to Rs.5.[3] Against this, the alternate job opportunities in agriculture, baniyan manufacture or powerlooms offer daily wage rates ranging from Rs.4 to Rs.10.[4] Thus the technological change has not made khadi competitive to handloom or powerloom costwise nor increased the wage rates of spinners and weavers to the levels prevailing in alternate occupations.

Fibre

Sissal fibre is an important raw material used by fibre craft. It contains a lot of pith which has to be removed before its use in production. To remove the pith in sissal fibre, an equipment viz. carding machine has been devised by the KVIC and it has been implemented through SKVIB. It is operated with electricity and its productivity is greater than that by hand. Although five out of nine i.e. 55 percent of the units surveyed possess this equipment, none makes use of it. The persons associated with these production centres allege that although

2. Ibid.
3. Ibid.
4. Ibid.

productivity is greater, the dust produced by the machine will be inhaled by the workers and it causes itches in human body and thus it is injurious to health. The production centres are forced to abandon the use of equipment due to reluctance on the part of workers. It shows that the equipment has been introduced by the KVIC and SKVIB without adequate field test.

Rope made of fibre is an important ingradient in fibre products. The KVIC has introduced an equipment called "ratt" for this purpose. Per capita productivity is greater on it. Per capita output of rope by hand is only 80 metres in 6½ hrs while that on "ratt" is 120 metres. Although four out of nine units i.e. 45 percent of the units possess the equipment, none uses it. The institutions contend that the rope made on "ratt" does not have the same evenness as that by hand and thus is inferior in quality. On enquiry with the experts in the field, it was understood that deficiencies of training are responsible for the production of uneven rope on "ratt" by workers.

Dyeing fibre is an important operation in fibre craft. Dyeing machine operated by power is available for this purpose. In dyeing machine, 15 to 20 Kgs of fibre can be dyed at one time and this process can be repeated three to four times a day. The practice followed by institutions, at present, is non-mechanical. It is done in copper vessels and only 10 to 15 Kgs. of fibre can be dyed a day. The dyeing machine is superior to traditional technique in terms of cost and productivity. It is also reported that perfection is greater in mechanical device than that in non-mechanical one. But traditional technique requires the services of 4 persons while the modern device needs only 1 person for this operation. Thus on the ground of labour displacement, the KVIC and SKVIB are not advocating its installation and use by the units. The Commission and the Board overlook the fact that labour can be sustained in an industry only if the industry remains prosperous and thus becomes capable of giving reasonable wages to artisans.

Pottery

There have been technological upgradations in the field of traditional pottery also. Potters in the old days used to give shape to pots by using "moulds of clay or wood" or by a traditional wheel which is operated by stick. Giving shape by "moulds" is a time consuming process. Operation on traditional potter's wheel is very tedious and its continuous use for a short time subjects the craftsmen to fatique. The implementation of improved potter's wheel in the place of traditional wheel by the KVIC and SKVIB is remarkable. Its operation requires two persons - one for rotating the wheel and the other for giving shape. Since rotation of wheel is done by hand using a pedal, the person operating it need not bend and he does not get fatigue easily as in the case of traditional wheel. Besides the operation of wheel can be learnt very quickly. The potter can be assisted by the family members in this regard. A recent innovation is a power operated equipment called shaila wheel. It is not only labour saving but also more productive than the earlier devices.

The practice followed by individual units and co-operative societies and registered institutions in giving shape is given in Table 6.

Table 6

Practice followed in giving shape for Pottery

		Individual Units		Co-operative Societies & Regd. Institutions.	
		Units	Percentage	Units	Percentage
1.	Use of moulds of clay	5	6%	1	6%
2.	Traditional Wheel	53	66%	8	55%
3.	Improved Potters Wheel	22	28%	6	39%
4.	Shaila Wheel	--	--	--	--
		80	100%	15	100%

Source: Field Survey.

From the above table, it is clear that majority of individual units and co-operative societies and regd. institutions still manage with the old practice. 72 percent of individual units and 61 percent of co-operative societies and regd. institutions follow the practice of either use of "moulds of clay" or traditional wheel for giving shape. A fairly large number i.e. 28 percent in the case of individual units and 39 percent in the case of co-operative societies and registered institutions have switched over to improved potters wheel. But "Shaila wheel" which is the latest technique has not been used by any unit including the co-operative societies and regd. institutions.

The units and co-operative society that still follow "moulds of clay or wood" for giving shape said that they were given training on wheel for three months. But even after three months' training they could not learn the practice.

Individual potters and organised segment which still follow traditional wheel claimed that they are aware of the superiority of improved potters wheel. But they still manage with the old practice due to their inability to meet the replacement cost.

"Shaila wheel" which is the latest innovation is possessed by only one co-operative society out of the various units individual and co-operative societies and registered institutions visited. The society having this equipment does not make use of it. The officials of the society reported that potters used the equipment for some time and then it got damaged. According to the officials, lack of knowledge of potters to utilise and maintain the equipment properly caused the damage. Simultaneously, an impression was spread among the potters in close-by clusters that this mechanical device is an easily damageable one. This notion dissuaded them from acquiring it. In the course of the discussion with Khadi Board, it was learnt that they stopped implementing the project in other areas since they gained an impression that it would not succeed among potters. Instead of trying to clear potters off this apprehension, the Board's finding that it would not succeed among the potters because of their conservatism, is observed as a serious lapse on the part of the Board.

Preparing clay is an important stage in pottery manufacture. The traditional method is that clay is kneaded with water under feet and is kept aside for some days for maturing. Treading under feet cannot remove all the impurities in the clay like stones and pebbles. Further this practice does not make clay consistent and homogeneous with regard to water content. This causes loss in the firing stage.

The modern method is to mix clay with water in right proportion using a clay washing tank. Secondly instead of treading clay under feet, the latest practice is to grind it by a pugmill. The function of the pugmill is to press the clay mass so as to squeeze the air bubbles enclosed within the clay mass and to make the clay consistent and homogeneous with regard to water content. The workability of clay is also greatly improved by this operation. Pugmill is a very costly equipment and is not within the reach of an individual potter. Only societies and registered institutions can afford it and have its economical use.

Out of 15 units comprising co-operative societies and registered institutions only two forming 13% have the above two facilities. While the rest of the co-operative societies and regd. institutions and individual units admitted ignorance about clay washing tank, they reported that their financial resources did not permit the acquisition of pugmill. So poor publicity and lack of funds stand in the way of adopting the techniques of clay washing tank and pugmill even by the co-operative societies and registered institutions.

For firing potteries, the KVIC has devised an improved updraught kiln where the loss is negligible. In addition, it has merits such as:

1. There is a regular platform on which wares can be easily stalked for firing. The technique of firing can be easily learnt.

2. The space occupied by the kiln is much less than the traditional kiln.

3. Possibility of fire accidents is less.

4. Loss of heat by radiation is very remote.

However, this facility is possessed only by one society. Enquiries with the potters and officials of other societies and registered institutions disclosed that they have heard about the Board having devised a different type of kiln, but are not aware of its superiority. Thus there have been no efforts on the part of Khadi Board to convince potters about the superiority of updraught kiln. These potters and societies and registered institutions still follow the traditional kiln which suffers from the following defects.

1. There is no regular platform for the kiln on which the wares can be systematically stalked for firing. Hence, loading and firing the kiln require special skill and the job is tedious and time consuming.

2. The articles are loaded over the fuel and when the fuel burns the stalk goes down resulting in breakage of articles.

3. Since major quantity of fuel is arranged under the stalk of wares, there is no device to control the fire during the process of firing the kiln.

4. Owing to the fact that there are no regular walls for kiln, plenty of heat is wasted by radiation.

5. Since the kiln is open and as there is no control over fire, possibilities of fire accidents are more.

Thus the traditional kiln is less fuel efficient, more time consuming and involves greater chances of loss.

Cottage Match

A serious problem in cottage match unit is interruption in production due to the absence of drying facilities during rainy season. Production during rainy season is just half of what it is during the rest of the period. Earlier, the KVIC had a scheme to finance construction of hot chamber to solve this problem. But many of the chambers constructed according to the specifications of KVIC and SKVIB, caught fire and got destroyed. This led to the suspension of the scheme of provision of finance to match units to construct hot chambers. Although various researches are taking place and huge amounts are being spent on innovations in methods of manufacture of village and cottage industries, a fool proof hot chamber to solve the problem in match unit has not yet been devised. It is an indication of technological gaps existing in village and cottage industries.

Bee-keeping

In bee-keeping, there are various techniques of maximising output of raw honey. They include artificial inssemination, correct selection and breeding of honey bees, integration of colonies, multiplication of colonies correct placement of bee-boxes etc. Out of 110 individuals visited only a small number i.e 30 forming 27 percent are found possessing such knowledge. Others engaged in the process of bee-keeping do not observe these stipulations.

In order to remove moisture in raw honey, there are two practices - One traditional and the other modern. The traditional technique involves heating raw honey with stoves using kerosene, as fuel. This method reduces the moisture content in honey to a level that makes it fit to be 'agmarked'. But the latest device involves the use of electrical processing plants where the moisture content in honey can be further reduced. This enables the processed the honey to be kept for a longer duration without deterioration in quality. All the four units comprising co-operative societies and registered institutions follow the traditional method being unable to meet the replacement cost. They have approached SKVIB for necessary funds long back, but their applications are still pending before the Board. The Board delays sanction of funds due to financial crunch.

Lime

In burning lime, kiln operated by motor or diesel engine is available today. These two can handle more lime at a time than that by the traditional kiln. While the former requires only the efforts of one person, the latter needs three persons. Further traditional technique involves very strenous effort on the part of workers. Out of 17 lime processing units comprising 7 co-operative societies and registered institutions and 10 individual units, only 1 society i.e. 6 percent has the facility of a diesel operated kiln. The rest 94 percent follow traditional technique. These units said that SKVIB does not sanction funds for power operated kilns. The unit possessing the power operated equipment conceded that it was acquired without the knowledge of SKVIB. The Board's objection to the use of equipment is on the ground that it causes labour displacement.

Thus the above analysis indicates that technological inadequacies exist in the KVI sector because of introduction of equipments without adequate field test, ignorance about changes due to lack of publicity, insufficiency of funds and SKVIB's fear that changes would lead to labour displacement. These factors are found to have obstructed technical changes in other industries of village and cottage industries sector.

Coir Industry

This is the most important industry in Kerala in terms of employment. There are divergent views regarding the total employment provided by the industry in the State. The Coir Board has estimated that the total employment in the country is of the order of 4.46 lakh persons, of which about 4.30 lakh persons are in Kerala.[5] But according to the census of coir workers conducted by the State Directorate of Economics and Statistics in 1981, the total number of persons employed in coir industry in Kerala is only 2.83 lakhs.[6] This industry consists of various sectors like Retting, Beating, Spinning, Weaving and other Types of Work employing .05, .46, 2.05, .11 and .16 lakh persons respectively.[7] Retting, Beating and

5. Government of Kerala, Report of the High Level Committee on Industry, Trade and Power Volume II, State Planning Board, Thiruvananthapuram, 1985, P. 269.
6. Ibid.
7. Ibid.

Spinning are household operations absorbing 76 percent of the workers.

Coir industry is mainly export oriented and it presently faces competition in the international market from Chinese grass mats, cheaper synthetic substitutes and the products of Sri.Lanks which has mechanised its coir industry. Lack of mechanisation of the industry in Kerala results in the higher cost of coir goods from the State, thus undermining the competitive ability of its products. Experts suggest mechanisation as a measure to tackle this problem.

In order to mechanise the various sectors of coir industry, there have been technological innovations like husk beating machines, mechanical spinning and powerlooms. According to a Study Group's Report on Mechanisation of Coir Industry in 1973, 100 percent mechanisation leads to labour displacement to the extent of 1,80,000 workers.[8] The Government has been keeping the entire coir sector on conventional lines due to the fear of labour displacement.

It is reported that certain sectors of the industry like Retting, Beating and Weaving can be modernised without causing much labour displacement. The number of

8. Government of India, Study Group's Report on Mechanisation of Coir Industry, Planning Commission, New Delhi, 1973, P.5.

workers engaged in Retting and Beating are 51,000 forming 18 percent of the total workers in the industry. These workers are women and they work under dreary and unhygenic conditions. They are reported to be getting employment only for a part of the year. It is said that in many places, women are no more available to do this work and even in places where women are working at present, their daughters will not be available to do the job. Therefore gradual mechanisation of these sectors is not likely to meet opposition from the working class.

Husk beating machines had been in operation in the State from 1965. But the Government banned its use in 1973 in the wake of protests from Trade Union Organisation. It is reported that initially there was no resistance from the working class against husk beating machines. Resistance came to surface only when indiscriminate multiplication of the machine was resorted to. Thus the haste with which the Government proceeded with the implementation of mechanisation resulted in its failure.

The weaving sector of the coir industry in Kerala is dominated by handlooms. Its productivity is very low and this causes high cost of products. Introduction of powerlooms in the place of handlooms, makes the products of the weaving sector competitive in the international market. As this sector accounts for an employment of 11000 workers forming about 5 percent of the total employment estimated by the Directorate of Economics and Statistics, this step will not have a serious adverse impact on employment provided by the industry. But the Government is not taking any effort to educate the workers about the necessity of mechanising this sector and carries it still on conventional lines.

Handloom

Handloom industry in Kerala is also characterised by technological deficiency. The looms are concentrated in Kannur and Kozhikode in the northern districts and Thiruvananthapuram in southern part of the State. For weaving, pit loom is a conventional equipment whereas frame loom is a better device and it is amenable to modernisation. Almost the entire looms in northern districts are frame looms while those in Trivandrum district are pit looms.[9] The latest device for weaving is Chittaranjan loom and the State has only a negligible number of the same. Again, the productivity in handloom is low compared to that on powerloom. A person operating two powerlooms

9. Government of Kerala, Kerala State Gazetter Volume III, Kerala Gazetter's Department, 1989, P.343.

for eight hours in a day can make 48 metres of cloth while his output on handloom is limited to 8 metres.[10] Besides, lack of improved appliances like dobbies, jacquard, jala, take up motion etc. causes reduction in the quantity of production of improved and well designed fabrics.[11] Thus technological gaps exist in the handloom sector also, despite the efforts of Governmental authorities to upgrade technology since the commencement of planning process.

T R A I N I N G

The increasing use of modern equipment in village and cottage industries sector makes it necessary for artisans to acquire sufficient knowledge for their successful operation through training. Training improves the skill of artisans resulting in higher productivity and minimisation of wastage of materials which in turn lead to an increase in their earnings. Likewise, product diversification is taking place in traditional line of manufacture. Products different from conventional ones are required to be manufactured to satisfy consumers. For this purpose also, craftsmen require training.

10. S. Krishna Iyer, "Keralathinte Sampath Vyevastha" State Institute of Languages, Thiruvananthapuram, 1975, P.657.
11. Government of Kerala, Report of The Task Force on Traditional Industries For Eighth Five Year Plan 1990-95, State Planning Board, Thiruvananthapuram, 1989, P.52.

Fibre craft and cottage match attract workers who do not possess any previous experience regarding the method of manufacture. The same is true about bee-keeping also. The people associated with pottery and lime collection and processing possess traditional skill. Training programme is required to educate workers about the art of making fibre articles in fibre craft; box filling, ban rolling, tray filling, dipping etc. in cottage match, as well as scientific bee keeping in bee-keeping occupation. Likewise, the change in demand from traditional pots and pans to garden pots and the use of mechanised wheel in pottery, potters also require training.

Fibre

For fibre craft, 4 out of 9 i.e. 45 percent of the institutions surveyed are recognised as training cum production centres by SKVIB. These institutions are permitted to train two batches every year, each batch consisting of 40 students. The duration of the training is 3 months. The senior instructor who is in employment of the unit is given salary for the period of training by SKVIB. To induce workers to join the training programme, there is provision for the payment of stipend at the rate of Rs.250/- per month.

To assess the impact of training programme on skill improvement 10 percent of the workers were interviewed. They reported that the period of training was insufficient to learn the various operations of the craft like spinning, weaving, colouring etc. They also alleged that it was imparted on traditional equipment. These points were agreed to by the institutions also. The inability of craftspersons to cope with an equipment like "ratt" and its installation and sudden discarding even by the production cum training centres stands as a testimony to the ineffectiveness of training programme. It is a clear indication that training is imparted on conventional lines.

The institutions reported that half the number of trained workers leave the institutions as soon as the training is over. This takes place in spite of their agreement to continue to work there for three years. Thus 50 percent of the trainees join the training course only to avail themselves of the stipend granted by SKVIB. In this context it is worth referring an observation made in the Seventh Five Year Document. It says, "--------- some of the existing training programmes are not result oriented. In some cases, trainees gravitate to the training centres for the stipend in the absence of anything else to do; as a result very few persons engage themselves in the trade trained."[12] In fact, the present training programme in "fibre" fails to induce workers to continue in the occupation or to equip themselves with the latest techniques of manufacture.

Pottery

The intention of training programme in pottery is to educate workers on product diversification as well as on modern methods of manufacture. The SKVIB has formed a demonstration squad for the purpose, consisting of a master potter and an assistant. The squad is supposed to give training at places of production. To motivate workers to join the training programme and to compensate them for the production loss during the training period, the scheme envisages the payment of a stipend. The duration of training is 3 months.

Of the 80 potters interviewed, 58 i.e. 73 percent have received training. The other 22 i.e. 27 percent said that they could not join the training programme because of low stipend and inability to maintain the families with the amount. Of the 58 potters trained, 46 i.e. 80 percent reported that the training did not fetch them any additional knowledge. Training was given on items like garden pots, kujahs and ovens which they already know. Further 25 of 46 i.e. 50 percent were sceptical about the

12. Government of India, Seventh Five Year Plan, Planning Commission, New Delhi, P.193.

versatality of the squad to produce diversified pottery wares. The squad were not punctual and regular also. Again the equipment used was conventional. In short, the potters also were not benefitted by the training programme of SKVIB. The inability of potters in a society to use mechanised equipment called "Shaila wheel" properly and without damage is a good example for it. Again potters in one cluster who followed the method of using clay of mould or wood for giving shape, were given wheel training. These potters expressed their inability to complete even a single pot a day on wheel. They were unable to learn the new practice even after 3 months of training.

Bee-keeping

Scientific bee-keeping requires a lot of knowledge about selection of bees, integration of colonies, division of colonies, protection of bees by enemies of bees, extraction of honey etc. SKVIB has a training programme for bee-keeping also.

Of the 110 bee keepers surveyed, 74 i.e.67 percent were trained. All the trained bee-keepers were unanimous in saying that duration of the training was too short and they received only primary advice. Besides, the training was of an explanatory nature; it did not consist of any practical classes. A few of the bee keepers who have been in the line for a long time doubted the knowledge of the project officers imparting training. The untrained bee-keepers expressed their inability to attend the training course due to their pre-occupation with other works. It may be noted here that the Board has imparted training in all the clusters visited.

Cottage Match

In cottage match, none of the units received training. The match units in Quilon district claimed that their workers possessed traditional skill just as workers in Tamilnadu and no training is required for them. The operations in 'match' are simple and they can be learnt through experience. But chemical composition and dipping are activities that require a lot of skill. Although there is a match training centre in Thrissur, none of the workers engaged in it has received training from there. Reluctance on the part of institutions to send workers to far off places for training is observed as the reason. The project officers give technical advice to the units on an informal basis regarding the chemical composition to be made during the rainy reason. But their advice is not found beneficial in improving quality by the units.

Lime

Lime shell collection and processing are traditional occupations where skill is passed on from generation to generation. The artisans engaged in the field therefore, do not require any training. But in some states, a product diversification is taking place in this field to chalk making etc. None of such units is functioning in Kerala. In the state, this activity still is confined to collection of lime shell and its processing. Lack of programmes on the part of SKVIB to educate artisans about product diversification is noticed as the reason. Thus a training gap exists in this area.

From the above discussion, it is clear that SKVIB has arranged training programmes in all the clusters surveyed. But the programmes have not benefitted the artisans due to lack of sincerity and versatality on the part of officials entrusted with the task.

RAW - MATERIALS

Another factor affecting the earnings of artisans is the rise in prices of raw materials and their scarcity. Raw material forms a major portion of the cost of products in many village and cottage industries. Many of the raw materials used by artisans are those required by large units also. The economically weak and unorganised artisans have to compete with the most efficient and the most organised industries for the procurement of raw materials. This unequal competition hurts the artisans even when the total availability of raw materials, is sufficient to meet the requirements. The organised sector can purchase materials straight from their sources at the most favourable terms and they are in a position to stock them in required quantities. But artisans used to procure them in small quantities without enjoying economy in large scale purchase and transporting. Again they have to depend upon middleman for their raw material requirements. In order to tackle the raw material problem, there have been certain policy measures or institutional arrangements for village and cottage industries both by the Central and State Governments.

Regulatory Measures

Coir industry is one that has been subjected to various regulatory measures to ensure the availability of raw materials. Its input is raw husk and a major portion of it used to be supplied by a few traders. These traders could manipulate market by fixing high price and creating artificial scarcity. The workers who procured husk from these traders paying high price could not realise reasonable wages. In order to overcome this situation, a system of licensing of retted husks and controlling the price of retted husks was introduced in the State, in pursuance of Coir Retting (licensing) Order issued by the Government of India in 1968. But this order was quashed by the High Court of Kerala in 1969. After a lapse of about four years, the Government of India passed Coconut Husk Control order dated 29.9.1973 according to which, fibre extracted from coconut husk was declared as an essential commodity under Essential Commodities Act, 1955. Further, the Act stipulates license for retting, license for manufacture of fibre, permission of licensing authority for sale of raw husk and permit for movement of husk, fixation of prices of raw and retted husks from time to time, and appointment of licensing officers. The Government has constituted a State Level Advisory Board to implement the various provisions of the Act. Further, the Government of Kerala banned the use of defibring machine for the removal of husk in 1974.

The prime object of these measures was to make available raw and retted husk to the spinning sector, while ensuring notified fair wages to the workers, so that they can supply coir fibre and yarn at prices at which the manufacturers could successfully market their products abroad. However, the objectives aimed at by these measures have been defeated by actual results. The availability of husk for retting has become scarcer and scarcer. The overall stock of retted husks available for spinning has dwindled to about 35% of the stock position that obtained last year.[13] A large section of entrepreneurs attribute this situation to the unrealistic price fixed by the Government for green husks and the ban imposed on mechanised husk beating machines. As many of the retters found the price pattern of raw and retted husks unremunerative for them to continue in the husk retting business, they disappeared from the scene.[14] The co-operatives and the State Coir Development Corporation were the main agencies who were left in the field but they were not fully equipped to shoulder this huge responsibility of feeding the industry with raw materials.[15]

The Government of Kerala, based on Government of India notification No.CSR 992(E) dated 30-7-1986 issued orders dated 1-9-1986, introduced a single point levy system to collect not less than 30 percent of the husk retters. Based on the single point levy orders, the co-operative sector could be provided with 22.6 million husks during 1986-87 and 12.02 million husks in 1987-88 which

13. Government of Kerala, Economic Review 1974, State Planning Board, Thiruvananthapuram, P.110.
14. Ibid.
15. Ibid.

formed only a small fraction of the requirement.[16]

Realising the ineffectiveness of the single point Levy System, a three point levy system was introduced by the Government of India in 1988 according to which copra producers, husk dealers and husk retters are required to sell 30% of husk handled by them to agencies authorised by the Government. Even this measure could not improve the availability of husk to coir industry in Kerala. The Government of Kerala now in pursuance of the recommendations of Special Task Force on Coir Industry suspended the operation of the Levy Scheme in seven northern districts of Kerala.

The production of coconut in Kerala is about 330 Crores. About one third of it is estimated to be available for coir industry i.e. 110 crores. But the quantity of husk procured in the co-operative sector is 12 crore in 1989-90.[17] It may be noted here that during 1980-81, 21.97 crores of husk were collected.[18] It is estimated that 195 crore husks would be required to give full employment for 6 days a week to the labourers in the co-operative

16. Government of Kerala, Report of the Task Force on Traditional Industries Eighth Five Year Plan State Planning Board, Thiruvananthapuram, P.25.

17. Government of Kerala, Economic Review 1990, State Planning Board, Thiruvananthapuram, P.68.

18. R. Vasukutty, A Note on Coir Industry in Kerala, State Planning Board, Thiruvananthapuram, 1982, P.6.

sector and about 400 crores of husks for employment to the entire labour force in coir sector.[19] In fact, the various regulatory measures instead of increasing the availability of husk have caused a decease resulting in underemployment among coir workers.

Handloom is another industry for which the Government of Kerala has taken regulatory measures to ensure availability of its major input, hank yarn. The Spinning Mills in Kerala are required to produce 50 percent of the yarn in hank form. But they do not adhere to this instruction. Total production of yarn in 30 spinning mills in the state is estimated at 21 million Kgs out of which hank yarn produced is only 5.5 million kgs and the balance is in the form of cone yarn.[20] Even out of this 5.5 million kgs. of hank yarn, the quantity sold in the State is only about 1.37 million kgs.[21] Higher sales tax on yarn within the state and the lower S.T. in Tamilnadu, induce mills to sell more yarn outside the state. Total requirement of hank yarn, based on the past consumption, in the co-operative sector in Kerala is 3.75 million kgs. valued at Rs.16 crores.[22] It may be noted that even this estimate is much lower than what is required as co-operatives for the past

19. Ibid.
20. Government of Kerala, Report of the Talk Force on Traditional Industries Eighth Five Year 1990-95, State Planning Board, Thiruvananthapuram, 1989. P.50
21. Ibid.
22. Ibid.

several years have not been operating to the full of their capacity due to scarcity of yarn. In fact, yarn scarcity is a major problem. It arises partly due to the Government's inability to make spinning mills obey the order of producing 50 percent yarn in hank form and partly due to the higher S.T. imposed in the State.

As against the requirement of hank yarn valued at Rs.16 Crores (noted in the above paragraph), the value of hank yarn supplied by HANTEX for 1989-90 was Rs.2.42 Crores and for 1990-91, Rs.2.99 Crores.[23] It forms only approximately 19 percent of the yarn requirement of co-operatives. Thus the institutional arrangement for supply of yarn to handloom co-operatives also failed.

The position of weavers in the corporate sector also is no different. Because of the financial constraints faced by HANVEEV, only a portion of yarn required by weavers can be supplied by it.

Failure of institutional arrangement makes weavers to purchase yarn from open market. In the last two years, the price of hank yarn shows an increase from 100 to 150 percent. The increase in the price of yarn causes an increase in the price of handloom goods.

23. Government of Kerala, Economic Review 1990-91, State Planning Board, Thiruvananthapuram, P.209.

In handicrafts, there exist institutional arrangements for the supply of raw materials. Handicraft Development Corporation and the Apex Society meet the raw material requirements of artisans in the private sector and co-operatives respectively. But in this sector also, shortage of raw materials is experienced. The Report of the Steering Committee on Industry and Mining says, "the main problem faced by the handicraft industries is shortage of very crucial raw materials like ivory, rosewood etc. on account of restrictions imposed in order to save the flora and fauna of the country."[24]

The enthusiasm evinced by the Central and State Governments in coir, handloom and handicrafts is absent in the case of industries in KVI Sector. One of the objects behind the establishment of KVIC and SKVIB is to supply raw materials at reasonable prices to artisans. But the KVIC and SKVIB have limited this function to khadi alone. For khadi, they have formed a cotton purchasing committee consisting of experts. The committee purchases cotton directly from cultivators in bulk on favourable terms and stocksit for one full year. It has opened cotton godown in all the districts of Kerala from where it is supplied to spinning and weaving units in their respective districts.

24. Report of the Steering Committee on Industry and Mining Eighth Five Year Plan 1990-95, State Planning Board, Thiruvananthapuram, 1990, P.65.

For other village industries, scarcity of raw materials and their increasing prices pose a severe problem. The units in these lines have to procure raw materials by themselves paying increased prices. They express their inability to make proportionate increase in prices of finished products, thus causing a decrease in their earnings.

Fibre

The main raw materials of fibre craft consist of banana, sissal and palm fibres. Banana and sissal are obtained from Tamilnadu while palm fibre is available in places such as Kottayam, Palai and Idukki. Formerly, there was adequate supply of fibre from these regions. People in these areas used to cultivate palm trees for their leaves to be used for thatching cottages. Recently, there has been a change in people's residence from cottages to houses made of tiled roofs. This coupled with the hope of getting a higher return on rubber cultivation encouraged people to cultivate rubber in places where they planted palm. The changeover from palm to rubber cultivation caused a scarcity in the availability of palm fibre in the state.

Similar scarcity is experienced in the availability of bananas and sissal fibres obtained from Tamilnadu. This is due to the increasing demand in the producing state. Recently, there has been an increase in the cottage units in Tamilnadu producing fancy articles with these fibre. Tamilnadu Government is offering liberal financial assistance to set up such units. This has reduced the flow of fibre from Tamilnadu to Kerala. The units surveyed reported a decrease in the volume of their production in recent years due to scarcity of fibre. They expressed the fear that the units have to be closed down, in a few years time for want of fibre.

The scarcity of fibre resulted in an increase in their prices. Table 7 indicates the trends in prices of fibre in an interval of five years.

Table - 7

Trends in Prices of Fibre

Quantity 1 Kgs.

		Price as on 31-3-87 Rs.	Price as on 31-3-92 Rs.	Percentage increase
1.	Sissal	10	15	50%
2.	Palm	12	18	50%
3.	Banana	18	34	90%

Source: Field Survey.

The percentage increase varies from 50% to 90% for various items. Of the three types, banana fibre is the most important as articles made of it have the maximum demand. Its price has almost doubled in five years' time. Institutions expressed their inability to make proportionate hike in selling price as such a step causes a glut in market leading to accumulation of stock.

Pottery

Increase in the prices of raw materials such as clay, wood and straw for traditional pottery also has affected the earnings of artisans. Potters, in the old days, used to get their requirements of clay and fuel free of cost. With the use of clay for alternative purposes like tile manufacture and brick manufacture, it has started becoming dearer. Potters, at present, face competition from brick makers and tile manufacturers in the procurement of clay. Brick manufacturers and tile makers who are financially better off than potters are prepared to buy clay land offering large prices. Traditional potters have to depend upon them for their requirements of clay. Often, they are forced to pay exhorbitant prices. Table 8 indicates the trends in prices of clay and fuel with five years gap.

Table - 8

Trends in Prices of Raw Materials for Pottery

		Price as on 31-3-1987	Price as on 31.3.1992	Percentage increase
1.	Clay.Lorry Load	730	1240	70%
2.	Wood. 1 ton	250	450	80%
3.	Straw 100 Nos.	80	140	75%

Source: Field Survey

The percentage increase in inputs varies from 70 percent to 80 percent. As potters produce cooking pots which have better substitutes and garden pots whose demand is highly elastic responsive to price change, they are not in a position to pass on the burden to customers. The selling price of a cooking pot is reported have increased from Rs.2 to Rs.3 during this period while the variation in a 12" garden pot is from Rs.6.10 to Rs.8.40. The percentage increase in the price of cooking pot is just 40%. The potters argued that the hike in selling price does not compensate that in raw materials.

Cottage Match

Match units are also affected by the scarcity of raw materials and their rising prices. For the development of match units, there is need for ensuring availability of soft wood at reasonable prices. The reckless and unplanned use of soft wood in the past has resulted in its scarcity.

The match units are therefore forced to utilise rubber wood, a cheap quality substitute for making splints and veneers. This affects the quality of match made in the State. The price of splints for 100 Kgs has increased from Rs.300 to Rs.485 registering 62 percent increase in five years time.

The position of chemicals is worse. A large percentage increase is experienced in these items. Table-9 shows details regarding the changes in prices of chemicals in five years gap.

Table - 9

Trends in Prices of Raw Materials of Match

	Qty.	Price as on 31-3-87 Rs.	Price as on 31-3-92 Rs.	Percentage increase
I. Chemicals				
1. Pottassium Chlorate	1 Kg.	13	25	100%
2. Red Manganese	1 Kg.	6	16	160%
3. Black ""	1 Kg.	6	16	160%
4. Glass Powder	1 Kg.	7	16	130%
5. Rosin	1 Kg.	8	35	400%
6. Bichromate	1 Kg.	24	55	124%
7. Copper Sulphate	1 Kg.	12	38	200%
8. Red Phosphorous	1 Kg.	130	165	30%
II. Glue	1 Kg.	35	74	101%
III. Paper	1 Ream	125	150	20%
IV. Inner Box	1 Gross	1.30	2.20	70%
V. Outer Box	1 Gross	4.50	6.00	33%

Source: Field Survey.

The prices of all chemicals except red phosphorous have recorded large increase varying from 124 percent to 400 percent. The price of glue has more than doubled. Similarly large increases have taken place in other items like inner box, outer box and paper.

The cottage match units have formed an apex organisation called Cottage Match Industries Federation and it is functioning in Quilon district which has the maximum concentration of units in Kerala. The Federation is supposed to supply raw materials and procure finished goods from the units. Although it is supposed to fulfil the requirements of all the units in Kerala, in actual practice its activities are confined to Quilon district. The units surveyed from this district remarked that the prices of inputs supplied by the Federation are about 5 percent higher. It is an indication that the Federation has not been able to obtain economies of large scale purchase.

Certain items like glue, blue match paper etc. are manufactured by large match units within their factories. This practice is causing a decrease in the prices of their inputs resulting in lower cost of production. This practice has not been resorted to by the Federation.

According to the match units in survey, the increase in selling price during the five year period is from Rs.70 to Rs.96 i.e. 37 percent for 600 boxes. This increase in the opinion of the units, does not keep their margin intact.

Lime Processing

Artisans engaged in lime processing are different from lime collectors. The processors' inputs are lime shell, licco and coconut shell. The prices of these items have also doubled in five years time as indicated by Table-10.

Table - 10

Trends in Prices of Raw Materials for Lime Processing

		Price as on 31-3-87	Price as on 31-3-92	Percentage increase
		Rs.	Rs.	
1.	Lime Shell 1 tin	4.30	5.50	.30%
2.	Licco 1 tin	60.00	150.00	150%
3.	Coconut Shell 1 tin	50.00	100.00	100%

Source: Field Survey.

Here also the price increase varies from 3o to 100 percent. But the price of processed lime is found to have doubled within this period. Selling price per Kg. of processed lime is increased from Rs.85 to 1.70 during the period. The artisans remarked that there is only a slight increase in their earnings and the earnings are lower than the prevailing wages in alternate jobs.

L A B O U R

Lack of technological changes, inefficacy of the training programme and the rising prices of raw materials keep the wages of artisans low. Table-11 shows the wages of artisans in their occupations and the corresponding local wage rate.

Table - 11

Table showing Wages of workers in Industries Surveyed and Wages in Alternate Occupations

	Industry	Sex	Wages Rs.	Wages in alternate occupations Rs.
1.	Fibre	Female	10	27
2.	Match	Female	11	23
3.	Pottery	Male	33	60
4.	Lime Shell collection	Male	60	60
5.	Lime processing	Male	50	60
6.	Honey processing	Female	30	30

Source: Field Survey.

The wages of craftspersons in all industries except lime shell collection are found to be lower than those in alternate occupations. Only lime shell collectors are in position to earn wages comparable to those in other jobs. Further, they have work except for 3 rainy months in a year. Even during this time, they are able to work on days when the rainfall is not very high. Although honey processing gives almost the same wages as in other works, the work is only for three months. It gives only part time occupation.

Bee-keeping is a part time occupation. In progressive countries, a bee-keeper with 100 hives can earn as much as Rs.7000 per month from the sale of honey and wax and hire of bee hives as pollinators to increase the yield of farms and orchirds. On the other hand, the average yield per box is 7 to 8 lbs in India compared with 100 lbs in South Africa. According to the estimate of the officials of SKVIB, honey per box must come to 12 kgs per season. But the average quantity obtained is less i.e. 9 kgs. The output in different regions in Kerala such as South, Centre and North are 8 kgs, 9 kgs and 10 kgs. respectively. Absence of scientific bee-keeping is responsible for this state of affairs.

The disparity between the wages of surveyed industries and those in alternate occupations induces workers to migrate to other works. Once they leave, they never come back to the old occupations. Details of artisans in co-operative societies and registered institutions in various industries in a gap of five years' time are indicated below in Table 12.

Table - 12

Details of Artisans As on 31.3.1987 and 31.3.1992.

	Industry	No.of artisans as on 31-3-1987	No. of artisans as on 31-3-1992	Variation (-)
1.	Match	420	296	124
2.	Fibre	2105	1085	1020
3.	Pottery	205	82	123
		2730	1463	1267

Source: Field Survey

The above industries show large scale migration of craftspersons. Fibre production centres reported that their workers stick to the centres only for a short period. They leave the units on flimsy grounds. Workers are 100 percent women and mostly girls before marriage. The grounds for leaving the units are marriage, higher education and sometimes for no reason at all. It indicates that the industry has not been developed as a major source of employment in the State. The same is the case with match industry. In this case also workers are female and they join with the expectation of getting wages comparable to the level in alternate occupations. On finding that the actual wages is very low, they abandon the occupation. In pottery, the reason for leaving the co-operative societies and registered institutions by potters is their mistrust with management. Low earnings are also found important for their migration.

Cluster type industries such as 'pottery' and 'lime processing' also have indicated large scale migration. In pottery, the potters' population in the 20 clusters visited is estimated as 1150. But the number presently occupied is only 233, thus showing a migration of 917. Their earnings Rs.33 are extremely low compared to local wage rate and it bears no relation to the physical strain involved. Lime processing also is a similar case. In the four clusters visited, the number of processors were estimated as 140. But the number, at present, is only 96 showing a migration of 44 persons.

In contrast to the above, artisans associated with co-operative societies and registered institutions in lime and bee-keeping have shown an increase. Table-13 shows details:

Table - 13

Details of Artisans as on 31-3-1987 and as on 31-3-1992

	Industry	As on 31-3-1987	As on 31-3-1992	Variation (+)
1.	Lime	263	1991	1728
2.	Bee-keeping	354	1542	1188
		617	3533	2916

Source: Field Survey

Lime collection gives reasonable wages. Bee-keeping is a part time occupation and the income derived is only subsidiary. This occupation involves only negligible investment. Further both these classes of artisans have to maintain contact with the organised segment represented by co-operative societies and registered institutions as they absorb their produce. The marketing facility provided by the institutions induces more and more craftsmen to join them. The study reveals that lime collection has developed as a sustenance occupation and bee-keeping as a subsidiary one supplementing income from some other activity like agriculture.

Coir, handloom and handicrafts are characterised by under-employment and the consequent low earnings of artisans due to the insufficiency of raw materials. It is reported that for the last several years, coir workers in the co-operative sector of the State have been getting work only for less than 100 days in an year.[25] In handloom industry, actual number of handlooms in the State in 1990-91 is 52000. Production possible per loom in a year is 2000 metres of cloth.[26] On the basis of this, the annual production must be about 104 lakh metres of cloth. But the actual production in 1990-91 is only 54.58 lakh metres of cloth.[27] It shows that weavers are employed only for half of the year. There is no proper estimate about the underemployment in handicrafts. But there are reports that the number of artisans in this sector also is dwindling.[28] All these indicate that the employment in coir, handloom and handicrafts is also proving unremunerative and these workers resort to other jobs for their livelihood.

From the above discussions, it is obvious that artisans have not been benefitted by technological dificiencies. The implementing agencies and the attitude of the Government are responsible for this state of affairs. Introduction of modern equipments without adequate field tests, inadequate training, poor publicity, lack of funds

25. Government of Kerala, Draft Eighth Five Year Plan 1992-97 and Annual Plan 1992-93 Volume 1, State Planning Board, Thiruvananthapuram, 1991, P.81.

26. Pragada Kotaiah, "What ails Handloom Industry" Yojana, Volume 35, No.7, April 30, 1991, P.11.

27. Government of Kerala, Economic Review 1991, State Planning Board, Thiruvananthapuram, P.209.

28. Hindu dated December 30, 1991, P.3.

and fear of labour displacement on the part of Government are observed as the reasons. Similarly, absence of a fool-proof hot chamber to overcome the production bottleneck in cottage match is an indication of technological gap existing in village and cottage industries sector. Due to the absence of technological upgradation, the wages of artisans are low and they are extremely lower compared to those in alternate occupations as shown in Table-11. The low wages induces craftsmen or craftspersons to migrate to other occupations and this has been indicated in Table-12. The underemployment existing among workers in coir, handloom and handicrafts and the resultant low earnings make them dependent on other jobs for their livelihood. The study proves the hypothesis "low level of earnings by those engaged traditionally in village and cottage industries is the major cause of distraction and as a result they give up the job and this retards the progress of such industries" as correct. Further, technological dificiencies existing in these industries and the consequent low earnings and labour migration point out the necessity of Governmental authorities redoubling their efforts especially in the area of technological upgradation as indicated in hypothesis No.5.

On the raw material front, the Government has taken policy measures with regard to coir and handloom and they have not been successful. The regulatory measures adopted by the Government to ensure the availability of husk to coir industry have resulted in its shortage. Likewise, the higher sales tax on hank yarn in the State induces spinning mills here to sell it outside the State. There are indications that the Government policies to ensure the availability of raw materials to village and cottage industries have been unimaginative and they have not benefitted the artisans sector. Although one of the objects behind the formation of KVIC and SKVIB is to ensure the supply of inputs required by the industries under their purview, they perform this function only for khadi. The artisans of other industries have themselves to procure raw materials paying high prices. This is an indication of inactivity on the part of KVIC and SKVIB on the raw-material front.

CHAPTER - V

FINANCIAL SCHEMES AND EVALUATION

Importance

Industrial units irrespective of size require different kinds of finance such as working capital and block capital. The financial requirements of artisan units are limited because of the small size of their operations. Since artisans belong to economically weaker section of the society, they cannot afford to have their own funds. Likewise, they are not in a position to accumulate their own funds out of income generated from their operations, for expansion purpose.

Early Times

Craftsmen such as blacksmiths, potters, cobblers, weavers etc. have been dependent on village money lenders for their requirements of finance, from the very early times. Money lenders charge high rate of interest, manipulate accounts to the disadvantage of debtors and insist on sale of their products through them. All India Rural Survey report revealed that the share of institutional agencies, comprising of Government, the co-operative and the commercial banks in financing the borrowings of rural households consisting of agriculturists and artisans was 7.1 percent in 1951-52 whereas the corresponding share of private moneylenders (excluding relatives, traders and commission agents, landlords and others) was as high as 68.6 percent.[1] Thus the survey indicates that the majority of rural borrowers including artisans were at the mercy of money lenders for their financial needs and they remained an exploited class.

In order to tackle the problem of finance faced by cottage and small units, State Governments have been assisting them in a nominal way under State Aid to Industries Act since 1920. But assistance offered under the scheme was found to be negligible as per surveys conducted immediately after independence. This was due to the procedural difficulties and limited availability of funds with the Provincial Governments. The International Planning Team (Ford Foundation) 1954, felt that the State Aid to Industries Act has been practically of no benefit to the small industries for whom it was intended and it was incumbent on the part of the State Governments to simplify the procedure of borrowing so that the assistance under the Act might be more effective.

The Union Government convened a conference of the State Governments to discuss the recommendations of the Ford Foundation Team. The Conference arrived at the conclusion that the State Aid to Industries Act should be liberalised. Further, in order to augment the funds of

1. Charan D. Wadhva, Rural Banks for Rural Development, Macmillian & Co. of India Ltd., Delhi, 1980, P.1.

the Provincial Governments, the Central Government also agreed to contribute in the ratio of 2:1 to the provision made by States and to bear losses in this proportion in the case of loans to industrial co-operatives. Loans are advanced towards 75% of the value of security. To help the craftsmen who do not have any security, it was decided to advance small amounts on the security of sureties.

With the establishment of State Financial Corporations in the States, these loans are either disbursed or collected or both through these organisations in most of the States. In a few states, the State Directorate of Industries continues to operate the scheme. With the increasing requirements of the small sector and the budgetary constraints of the State Governments, this channel of funding has lost much of its significance.

Bank Finance

Finance from commercial banks to small industries was negligible in the early years of independence as well as during fifties. According to a sample survey conducted by the Reserve Bank of India in 1951, it was found that the finance and credit provided by the commercial banks to small and medium sized (mostly iron and steel, light engineering, oil crushing) industries was hardly about 12% of their total advances to industry.[2] Insistance of banks on securities, inability on the part of small firms to offer them and fear of the possibility of bad debts were responsible for this low share.

With a view to promoting liberal bank assistance to SSI units, the Government of India introduced Credit guarantee scheme in July, 1960. The main purpose of the scheme was to reimburse the commercial banks of any possible losses they may incur on account of credit granted to small units. The RBI designated as "Guarantee Organisation" administered the scheme till 31st March, 1981. On April 1, 1981, the scheme was taken over by the Deposit Insurance and Credit Guarantee Corporation. The take over was effected with the object of integrating all credit guarantee schemes under one organisation.

Utilising the above scheme, the commercial banks in the country increased their lending to small industries. But the units financed were comparatively larger in size and were capable of complying with the usual requirements of banks like providing margins, maintenance of proper books of accounts.etc.[3] The weakest among the group, the artisan sector, was not in a position to fulfil these requirements and was thus left out of benefits.

2. Ch. Uma Mahesware Rao, Small Scale Industries, Popular Prakashan, Bombay, 1965, P.164.

3. A.B. Chakravarthy, 'Financing of Rural Industries by State Bank of India' SBI Monthly Journal, February, 1989, P.92.

In the first phase of the Fourth Five Year Plan, i.e. in 1969-70, the Planning Commission suggested that the credit needs of industrial units should be obtained from institutional agencies. This was due to the financial constraints faced by the Union Government. Accordingly, the loan allocation in the central budget for assistance to states was considerably reduced. In the meantime, the SBI agreed to help small scale industries/artisans more intensively. A special scheme was formulated for financing rural industries in consultation with the Ministry of Industrial Development. The scheme envisaged assistance on clean basis upto Rs.5000/- without insisting on margin. The loan might be secured by Demand Promisory note and on hypothecation agreement, creating charge on unencumbered assets.

Under this special scheme, the SBI is reported to have assisted 6807 units with loans aggregating Rs.92.92 lakhs by September 1971.[4] However, a survey conducted by the RBI among rural population for 1971 reveals that only 0.8% of the total credit obtained by rural non-cultivator households, majority of whom are artisans, is supplied by commercial banks. Table-14 shows the extent of contributions that institutional and non-institutional agencies make towards financing rural non-cultivator households including artisans.

4. Ibid. P.93.

Table - 14

Debt Owed to Different Credit Agencies by Rural Non-Cultivator Households Including Artisans in 1971

	Credit Agency	Percentage Share
I	Institutional	10.8
1.1	Government	3.4
1.2	Co-operative banks/society	6.0
1.3	Commercial banks	0.8
1.4	Insurance	0.4
1.5	P.F.	0.4
2	Non-Institutional Money lenders*	42.5
	Others	46.7

* include agricultural and professional money lenders.

Source: RBI Bullettin, June 1986, P.447.

The table indicates that the bank lending to rural non-cultivator households including artisans was negligible and they continued to be at the mercy of money lenders even after twenty four years of independence.

Priority Sector Lending

The National Credit Council set up in 1968 with Finance Minister as Chairman and the Governor of the

Reserve Bank of India as Vice Chairman, was asked to determine priorities for the grant of loans and advances, taking into consideration the availability of resources and requirements of the priority sectors, in particular agriculture, small scale industries and exports. The National Credit Council in its meeting held on July 24, 1968, emphasised that commercial banks should increase their involvement in the financing of two priority sectors viz. Agriculture and small scale industries as a matter of urgency. As this could not facilitate the flow of funds, the RBI was forced to fix up a target of 33 1/3% of the total advances of commercial banks for priority sector in 1974, to be achieved by March, 1979. In 1980, the target was raised to 40% of the total advances of commercial banks to be achieved by March 1985. Village and Cottage Industries are also included in the priority sector.

The progress of the priority sector credit of scheduled commercial banks from 1969-1989 is shown in Table-15.

Though the target of 33 1/3% advances was achieved by commercial banks as per schedule, the second one viz. 40% has not been accomplished within the time allotted. It took two more years for SC banks to achieve it. Any how, the latest figures indicate that the priority sector advances are higher than that required by the RBI.

Table - 15

Priority Sector Credit of Scheduled Commercial Banks 1969-1989

Rs. in Crores

Period ended June	Total Credit	Priority Sector Credit	Share of Priority Sector Credit %age
1969	3599	504	15.3
1970	4213	761	15.9
1971	4763	897	18.3
1972	5480	1058	21.3
1973	6412	1292	23.5
1974	7827	1688	20.5
1975	8955	2242	19.5
1976	11476	2815	22.8
1977	13491	3488	26.3
1978	15694	4491	29.4
1979	19116	5906	33.3
1980	22068	7278	35.9
1981	26551	9444	35.9
1982	30180	10975	35.9
1983	36006	12783	35.6
1984	43613	16303	37.4
1985	50921	19829	38.9
1986	57229	22884	39.9
1987	64213	26743	41.7
1988	72436	30693	42.7
1989	89080	35242	42.2

Source: Banking Statistics RBI - Pigmy Economic Review Aug: 1990, P.6.

The priority sector includes many sectors like agriculture, small-scale industries and others. Therefore, to assess the credit being granted to small scale industries, it is advisable to examine the sector-wise distribution of bank credit as shown in Table-16.

The table shows a big increase in credit granted by Commercial banks to small-scale industries both amount-wise and percentage-wise. The credit to small sector which stood at Rs.286 crores and 7.95% in 1969 of total credit has been increased to Rs.13,677 crores and 38.81 percent of total credit in 1989. But it may be noted that within the priority sector, the share of small - scale sector has been decreased from 56.63% in 1969 to 38.81% in 1989.

The small sector comprises modern small-scale sector and traditional village industries. As the details of credit to these sub sectors are not given separately, it cannot be determined whether this has benefitted the village and cottage industries. But the per unit borrowing shows that the credit granted to a small unit runs into several lakhs of rupees which definitely is far in excess of the requirements of a traditional cottage industry. Table-17 shows the number of accounts and amounts of loan outstanding from public sector and SC banks to small scale industries.

Table - 16

Sector wise Distribution of Bank Credit

(Rs. in Crores)

	June 1969	Percentage to total credit	June 1979	Percentage to total credit	June 1989	Percentage to total credit
1. Agriculture	188 (37.23)	5.2	2288 (40.30)	11.83	14133 (40.10)	15.78
2. Small-Scale Industries	286 (56.63)	7.95	2252 (39.67)	11.64	13677 (38.81)	15.26
3. Other Priority Sector Credit	31 (6.14)	0.86	1137 (20.03)	5.88	7131 (20.24)	7.96
4. Total Priority Sector Credit	505	14.03	5667	29.35	35242	39.33
5. Total Credit	3599	100	19343	100	89609	100

Figures in brackets show percentage to total priority sector credit.

Source: Annual Report RBI - Pigmy Economy Review, August 1990, P.7.

Table - 17

Scheduled Commercial Banks Advances to Small Scale Industries

(Rs. in Crores)

No. of accounts in 000's

	June 1969		December 1975		June 1981	
	No. of A/c	Amount outstanding	No. of A/c	Amount outstanding	No. of A/c.	Amount outstanding
Public Sector Banks	51	251	190	767	834	3229
Other SC Banks	6	35	11	92	24	191
Total of all SC Banks	57	286	201	859	858	3420

Source: M. Radhaswamy and S.V. Vasudevan, A Text Book of Banking. S.Chand and Co. Ltd., Delhi, 1990, P. 249.

Per unit borrowing as per the table is as follows:

1969 - Rs.5,01,753

1975 - Rs.4,27,363

1981 - Rs.3,98,600

Advances per unit run into a few lakhs of rupees. The RBI has fixed the credit requirements of village and cottage industries as Rs.25,000/-. It indicates that the benefits of priority sector lending have gone to modern small scale sector but not to the village and cottage industries.

Differential Interest Rate Scheme

The question of assisting people belonging to economically weaker section of the society with concessional finance has been engaging the attention of the Union Government since bank nationalisation. The then Union Minister of Finance at a meeting with the Chairmen/ Custodians of the Public Sector banks in July, 1970 made a suggestion that lower interest rates should be charged to carefully selected low-income groups who deserve financial assistance for productive endeavour but cannot easily negotiate with banks. In pursuance of this suggestion, the Reserve Bank of India appointed a Committee under the Chairmanship of Dr. R.K. Hazari to examine the question of differential interest rates. The Committee submitted its report in May, 1971. In the light of this Report, the Government, in March 1972, announced its decision to implement the scheme of Differential Interest Rates (DIR) on advances by public sector banks. The scheme had the following important features.

a. Simplicity of application and appraisal forms, loan documents etc. to facilitate quick action.

b. Selection of beneficiary was left directly to the bank's officials keeping in view the eligibility criteria such as income level, absence of ownership of agricultural land for a farmer or ownership of small plots of land etc.

c. Only persons with annual family income (from all sources) of not more than Rs.2000 in rural areas or Rs.3000 in semi-urban areas are eligible to get bank loans.

d. Repayment should be done in a period of five years including a grace period not exceeding 2 years.

Under the scheme, loans upto Rs.6500/- are provided to weaker sections comprising Rs.5000/- as term loan and Rs.1500/- as working capital. The RBI, at first, fixed a target of 1/2% of total advance of commercial banks for DRI Scheme. Since it was found inadequate, it was later increased to 1%. Table-18 shows the progress of lending under the scheme.

In the early years of implementation of the scheme, the performance was not upto target (from 1972 to 1975). Later on, it started picking up and the achievement from 1980 onwards was more than the goal.

Composite Loan

DRI Scheme could not be availed by all groups of artisans as it imposed restrictions on family income. Further the amount involved was meagre. In order to design arrangements to ensure adequate flow of bank finance to weavers, artisans etc. who are outside the co-operative structure, the Banking Division of the Ministry of Finance

Table - 18

Progress of Lending Under DRI Scheme (Public Sector Banks)

As at the end of due	No. of borrowal accounts (000's)	Amount out-standing	% age DRI Advances to total advances at the end of pre-vious year.
1972	26	0.87	0.02
1975	465	20.99	0.31
1980	2510	193.56	1.04
1984	4272	441.38	1.22
1985	4318	462.70	1.10
1986	4717	561.78	1.17
1987	4814	597.65	1.09
1988	4619	646.58	1.00
1989*	4701	664.94	.92

*Data are provisional.

Source: Report on Currency and Finance Volume I Economic Review 1988-'89, P.185.

set up a Working Group in 1978 under Sri. W.S. Tambe, executive director of the Reserve Bank of India. The Group fixed the individual credit requirementsof a rural artisan at Rs.25,000/-, a level higher than what is granted under DRI scheme. It recommended for the introduction of the concept of composite loan to finance the requirements of both term loan and working capital of village industries. The group noted that the following aspects need to be kept in mind while financing village industries.

a. Simplicity in procedure, application forms and other documents.

b. Access to sufficient and timely credit to take care of the requirements of atleast one operation cycle including requirements of family sustenance.

c. To provide softer repayment terms, it was stipulated that repayment period of the loan would be 7 to 10 years, with 12 months start up period.

The recommendations were accepted by the RBI and necessary instructions were given to scheduled banks. All composite loans were made eligible for automatic refinance facility of IDBI. Banks were instructed that if there was a default for repayment, the concerned branch in collaboration with District Industries Centre had to take steps to restore the account to health and if it was not possible, recovery procedure was to be initiated.

Table-19 shows the progress of bank's lending under Composite Term Loan from 1983 to 1987.

The number of units financed and the amount of loan go on increasing year by year. The amount advanced which was Rs.70.77 Crores in 1983 was increased to 215.26 crores in 1987. Thus a three fold increase in advances under composite loan was achieved within five years.

Table - 19

Progress of Composite Term Loan.

	No. of units extended loan	Account of loan (Rs. in Crores)
December 1983	1,48,538	70.77
December 1984	2,33,908	171.74
December 1985	3,02,523	132.04
December 1986	3,08,920	224.18
June 1987	3,09,134	215.26

Source: State Bank of India
Monthly Review. P.103

Khadi and Village Industries Commission

KVIC is the major financing agency for khadi and Village industries. It lends to State Khadi and Village Industries Boards and State Khadi and Village Industries Boards are expected to meet the credit needs of co-operative societies, individuals and trusts.

Loans are advanced both for capital expenditure and working capital. Capital expenditure loan is repayable in 9 equal instalments, with first instalment falling due at the end of the second year. The term of working capital loan is five years, to be repaid in three instalments of 30 percent and 30 percent and 40 percent and first instalment falls due at the end of the second year.

KVIC stipulates a debt equity ratio of 10:1. Further borrowing institutions are required to create in favour of KVIC/SKVIB a hypothecation in respect of immovable properties and equitable mortgage in respect of their existing immovable properties. For granting loans to individuals KVIC/SKVIB demands security of land. While the interest charged on loans to village industries is 4%, for khadi there is no interest at all.

KVIC receives the necessary amount from the Central Government by way of annual appropriations. In 1977, the Government of India faced with budgetary constraints, decided to encourage KVIC, State Khadi and Village Boards and other implementing agencies to avail bank finance for meeting their working capital requirements. The Government introduced Interest Subsidy Scheme in 1977 with a view to subsidising the difference between the actual rate of interest charged by banks and 4 per cent. The Government has also permitted the KVIC to surrender at its discretion to the commercial banks the first charge it generally holds on all the assets of the borrowing institution in case the latter agrees to borrow from the banks concerned.

However, there is a difference between KVIC and commercial banks in the practice of financing working capital requirements of units. The KVIC makes available financial assistance to Khadi units on the basis of working fund concept where funds sanctioned are allowed to be retained by the institutions so long as they fulfil the prescribed targets. On the other hand commercial banks make available working capital on cash credit system.

From the point of view of bank finance, the KVIC has classified institutions into four categories as shown below;

A. Major institutions with production/sales of Rs.100 Lakhs and above;

B. Medium institutons with production/sales of Rs.25 Lakhs and above but less than Rs.100 Lakhs.

C. Small institutons with production/sales upto Rs.25 Lakhs and

D. Problematic institutions.

For categories C and D, no institutional finance is recommended. For categories A and B, it has been laid down that funds equivalent to 75 percent and 25 percent respectively have to be availed from the institutional finance scheme. The progress of institutional finance under KVIC from 1979-80 to 1985-86 is shown in Table-20.

Table - 20

Progress of Institutional Finance under KVIC from 1979-80 to 1985-86

Rs. Crores

Year	Amount outstanding under KVIC's interest Subsidy Scheme
1979 - 80	7.75
1980 - 81	8.45
1981 - 82	23.08
1982 - 83	36.00
1983 - 84	41.63
1984 - 85	40.94
1985 - 86	156.34

Source: Khadi and Village Industries Review Committee Report 1987, Government of India p.161.

The amount of institutional finance shows a steady increase from year to year.

An evaluation of the above schemes of lending to artisan units is done here.

Table - 21 shows details about the financing agencies of the units surveyed.

Table - 21

Details of Units and Their Respective Financing Agencies

Financier	Field Level Organisation: Co-op-Societies	Regd. Insti-tutions	Indivi-duals	Total
1. SKVIB	25	22	43	90
2. Banks	--	--	132	132
3. Self	--	--	45	45
	25	22	220	267

Source: Field Survey

The table indicates the significance of SKVIB in financing the requirements of co-operative societies and regd. institutions while the Bankers role in these areas is nil. This is due to the policy of the KVIC, Central and State Governments to finance organisations of artisans rather than individual units.

The units financed by SKVIB reported merits of the scheme like low rate of interest, subsidy element and non-insistence on security. But according to them, capital expenditure loan provided for buildings, tools and equipments was inadequate. This happens because of the fact that the Board sanctions loans and advances on the basis of pattern of assistance formulated by the KVIC. The pattern of assistance formed by the officials of KVIC is uniform for all the States in India. It does not take into account the regional variations involved in costs. Kerala is a highly monetised economy and costs of construction, fixed assets etc. are all higher in the State relative to those in other States. Hence, following a uniform pattern of assistance throughout India without considering regional variations is criticised by the units.

Funds for inception are sanctioned without any delay. This is due to the eagerness of the Board to achieve the employment and production targets fixed. The KVIC fixes targets of employment and production on an all India basis and they are allocated among the various State Boards. The State Boards in turn distribute the quotas among the district Boards. The performance of the officials of the Board is guaged on the basis of their ability to achieve the targets. Therefore, great enthusiasm is evinced in seeing that the units come up. But once they come up, this spirit is lost. Later on, delay is taking place in granting loans for working capital requirements. Table-22 shows the time taken by the Board in sanctioning loans for the year 1991-92.

Table - 22

Time Taken by SKVIB in Sanctioning Loans

No. of Units	Time taken
11	3 months
63	8 months
16	11 months
90	7.3 months average time

Source: Field Survey.

The delay is also caused by the elaborate procedure followed in sanctioning loans. The units have to submit applications to the district Boards. The district offices then refer the applications to State Board which is the sanctioning authority. On sanction, funds are disbursed to district offices and the district offices will then grant them to the unit. Thus the centralisation of powers in the State Office is also responsible for the delay. The Board Officials claim that these formalities can be fulfilled in 3 months. But only 11 out of 90 units, i.e. 12 percent have been able to get it within the prescribed period. The rest 88 percent have taken long periods ranging from 8 to 11 months as is evident from the table - 22.

The practice among the units is to approach the Board for funds for acquisition of latest equipments. The units do not have reserves to finance modernisation. The lack of reserves is due to their inability to generate surplus. The respondents argue that their sales proceeds are just sufficient to meet the cost of materials, wages and indirect expenses like manager's salary.

The KVIC which releases funds to State Boards, has not been getting funds in proportion to requirements from the Central Government in recent years. As a result, KVIC's allocations to State Boards have not been enough to meet their needs. Consequently, like other State Boards, Kerala Khadi and Village Industries Board is also reported to be restricting its financing activity to mere granting of working capital loan. The applications submitted by 7 units about one year back for loans to acquire latest equipments are still pending before KKVIB for want of funds.

Out of 90 units financed by the Board, 61 units representing 68 percent approximately are facing difficulty in repayment. Table - 23 gives details of units facing difficulty in repayment.

Table - 23

Details of Units Facing Difficulty in Repayment

Industry	Co.op societies & Regd. institutions		Percentage (approx)	Individuals		Percentage	No. financed	Total	
	No. financed	No. facing difficulty		No. financed	No. facing difficulty			No. facing difficulty	Percentage (approx)
1. Match	15	10	67	-	-	-	15	10	67
2. Fibre	9	7	80	-	-	-	9	7	80
3. Pottery	12	9	75	8	8	100	20	17	85
4. Bee-Keeping	4	1	25	31	20	65	35	21	60
5. Lime	7	3	43	4	3	75	11	6	55
	47	30	64	43	31	72	90	61	68

Source: Field Survey.

The table shows that 64 percent of the co-op. societies and regd. institutions and 72 percent of the individual units face difficulty in repayment. Thus the high percentage of default is an indication that the repayment schedules have been fixed by the KVIC unscientifically.

As stated earlier, the Co-op. Societies and regd. institutions making default reported that their sales proceeds are just enough to cover the material cost, wages and indirect expenses like manager's salary. The institutions which fail to repay loan and interest, are eligible for only lower amount of working capital. This is to say that the Board estimates the working capital requirement of the unit on the basis of anticipated production and deducts from it the amount due to it. According to the respondents, this practice further impairs their ability to make repayment.

The individual units making default reported low earnings which are insufficient even for the sustenance of their families after meeting the cost of manufacture.

The role of SKVIB in financing individual units is insignificant compared to that of banks. Out of 220 individual units surveyed, the number financed by SKVIB is 43 i.e. 20 percent approximately. On the other hand, the banks' share is 132 representing 60 percent of the total. For individuals to obtain finance from SKVIB, there are more stringent formalities and more elaborate procedure.

Further, loans to individuals are security oriented. The prospective borrower should have landed property worth one and a half times of the amount of the loan. Besides, he should produce two sureties. In case the intending borrower does not possess property, one of the two sureties should have property to that extent. No encumbrance certificate in respect of the property has to be furnished. Along with the application, he has to submit a credit worthiness certificate obtained from Panchayat President or MLA to the District Board Office. Feasibility of the project is examined by the Project Officer. If he is satisfied, he will refer the application to SKVIB which sanctions it. All the 43 artisans who availed loan from KVIB complained that they had to take the trouble of visiting the Board office frequently to get the loan sanctioned. Frequent visits to the Board Office are reported to be causing interruption to their production since the district offices are located in district quarters which are far away from their places of production. Again, the individual units alleged that the officials took periods ranging from 8 to 11 months to sanction loans.

Regarding bank finance that could be availed by large units, there are complaints. The procedure for availing this loan is as follows: The KVIC or its State office issues Interest Subsidy Eligibility Certificates (ISEC) to the institutions wherein the amount for which they are eligible from banks are shown. To enable the concerned bank to have an access of methodology adopted by the KVIC regarding allocation of funds including bank finance, a copy of the work sheet is also forwarded alongwith ISE certificate to the concerned bank. On receipt of the loan application, the bank examines the loan requirement of the institutions with other relevant documents which are required to be furnished by an institution. The banks claim interest subsidy from the State Offices/regional offices of the KVIC on quarterly basis. To enable banks to finance institutions, the first charge held by the KVIC in respect of the movable and immovable properties of the borrowing institutions is surrendered by a "Letter of Disclaimer of Prior Rights" to banks. The KVIC does not part with original title deeds to the banks.

The progress under the scheme is not upto the expectation. There exists a gap between the amounts of ISE certificates issued and the bank finance availed as indicated in Table - 24.

Table - 24

Progress in ISE Certificate Scheme (Rs.In Crores)

Y e a r	ISE Certificate issued	Bank finance availed
1987 - 88	145.71	75.89
1988 - 89	179.46	92.98
1989 - 90	221.91	110.22
1990 - 91	234.27	120.61
1991 - 92	363.32	101.93

Source: Institutional Financing Scheme for KVI Sector", Khadi Gramodyog Vol: XXX VIII ISSN.0023-1029. No: 10, July 1992, KVIC, p.518 and 519

One reason for the gap between ISE certificates and bank finance availed is that the ISE certificates are not accompanied by detailed assessment made by the office of the KVIC and the amounts indicated therein are not in conformity with the prescribed norms of banks. Thus lack of co-ordination between the KVIC and banks and their failure to evolve a unified approach to assess the requirements of units have adversely affected them.

5. T.K. Nag, "Institutional Financing Scheme for KVI Sector" Khadi Gramodyog, Vol XXX VIII No.10, Iss N 00023 - 1029, July 1992, KVIC, p.520.

Another important reason for the poor progress of the Scheme arises from the fact that there is reluctance on the part of the KVIC to surrender the original title deeds to the banks. Letter of disclaimer of prior rights is not legally sufficient to establish banks' charge on assets. Therefore, there is reluctance on the part of banks to sanction loans.

The KVIC through SKVIBS has not succeeded in bringing within its ambit the vast majority of artisans earning their livelihood from the industries under their jurisdiction. Table-25 shows the approximate percentage of artisans in certain industries brought within the financial and other developmental programmes of KVIC/SKVIB by 1985-86.

Table - 25

Approximate percentage of artisans brought under the-Schemes of KVIC/SKVIBS (All India).

Industry	Percentage of artisans assisted
1. Village Pottery	21.1
2. Village leather	16.1
3. Village oil	31.1
4. Fibre	22.1

Source: Compiled by the Researcher from the Khadi and Village Industries Review Committee Report 1987, Government of India, p. 314.

The table indicates that a vast majority of artisans are still outside the reach of KVIC/SKVIB.

Funds disbursed to units by SKVIBS are those received from the KVIC. The KVIC gets funds from the Central Government. These funds are in fact public funds which have to be handled with utmost care and maximum caution. But statistics relating to the funds locked up in defunct units and actions taken for recovery indicate that SKVIB in Kerala is lax in regard to the caution and vigilance required in handling purblic funds. Out of a total of 2103 Co-operative societies and regd. institutions sponsored by the Board till 1988-89, 1627 are defunct. Out of these 1627 units, revenue recovery action has been initiated only against 387 units.[6] Here also, the amount advised for recovery was Rs.161.22 Lakhs while the amount actually recovered amounted to a meagre sum of Rs.15.51 Lakhs upto 31-3-1989.[7]

The rigid condition about security and the elaborate procedure followed in granting loans to individuals by SKVIB, have prompted craftsmen to approach banks for their requirements. The role of banks in the 220 units surveyed is 132 indicating a percentage of 60. Loans are sanctioned by banks to craftsmen under DRI and Composite Loan schemes.

6. Annual Administration Report 1988-89, Kerala Khadi and Village Industries Board, Thiruvananthapuram, p.23.

7. Ibid.

Artisans find it more convenient to deal with banks as they are nearer to their cottages than the district offices of SKVIB. They can visit banks frequently without their production being interrupted. The industry wise and scheme wise financing of 132 individual units by banks' is shown is Table - 26.

Table - 26

Industry wise and Scheme wise Financing by banks of- Industries in KVI Sector

Industry	Units Financed Under D I R	Units Financed Under Composite loan	Total
1. Pottery	61	8	69
2. Bee-keeping	10	31	41
3. Lime	4	18	22
	75	57	132

Source: Field Survey.

Maximum number of artisans have been assisted under DRI Scheme in pottery since they belong to economically weaker section of the society. Though artisans in lime also belong to this category, they have been assisted more under composite loan as their requirements of finance are more than the prescribed limit under DRI.

The period taken by banks in granting DIR loans varied from 2 weeks to 1 month. Thus the period was shorter compared to that taken by SKVIB. In the case of composite loan, banks have taken periods ranging from 2 to 4 months, As the amount involved in Composite loan was larger, the branch managers had to refer the applications to the Divisional/Regional Offices and amounts could be disbursed only after getting the permission of that office. This caused the delay.

Under DIR scheme, artisans are eligible for loans upto Rs.6500/-. But the amounts disbursed varied from Rs.1000 to Rs.4500. This is an indication of the catious approach adopted by branch managers in assessing the requirements of artisans. This happened in the case of composite loan too. 5 beekeepers and 6 artisans in lime reported that they have applied for larger amounts, but given only less. The amounts applied fall within the prescribed ceiling of composite loan amount.

Both DIR and composite loans are required to be granted without any security or surety. But interviewing the artisans disclosed that 40 percent have been able to get it only after depositing the title deeds of their property with the banks and the rest upon furnishing two sureties. Again, none of them has been given the moratorium for initial payment i.e., 2 years in the case of DIR scheme and 1 year to 1½ years in the case of composite loan. Repayment period in the case of composite loan as per the norm is to last 7 to 10 years. But the repayment period granted varied from 2 to 6 years. DIR and composite loan schemes are granted only once. But artisans wanted the working capital component of these schemes to be renewable.

Artisans who availed bank finance also are reported to be facing difficulty in repayment. Table-27 indicates details of industry wise defaulters.

Table - 27

Details of Individual Units Financed by the Banks and Facing Difficulty in Repayment

Industry	No.Financed	No. Facing Difficulty	Percentage
1. Pottery	69	57	83%
2. Bee-keeping	41	17	41%
3. Lime	22	12	55%
	132	86	65%

Source: Field Survey.

Maximum percentage of default among individual units is seen in the case of pottery, followed by lime and bee-keeping. These artisans reported that the earnings after meeting manufacturing expenses and the sustenance of their families are inadequate to pay towards the repayment of loan and interest.

In short, the bank financing also suffers from deficiencies as stated above. Because of the limitations of institutional financing, artisans are dependent on either money lenders or middlemen. Table-28 shows the number of artisans, dependent on middlemen/money lenders.

Table 28

Details of Artisans Depending on Middlemen/Money Lenders

	Industry	No. of Artisans Surveyed	No. of dependent on Middlemen/Moneylenders	
1.	Pottery	80	80 -	100%
2.	Lime	30	14	47%
3.	Bee-keeping	--	--	--
		110	94	86%

Source: Field Survey.

All the potters surveyed are dependent on middlemen. Middlemen supply working capital to potters on the condition that the finished products have to be sold to them. In the case of lime, craftsmen take advances from moneylenders at exhorbitant rate of interest varying from 25 percent to 30 percent. The individual units claimed to be self financed in pottery and lime also are in the grip of either middlemen or moneylenders. But the whole community of bee-keepers self financed are financially better off than the artisans in other industries and the moneylenders or middlemen do not play any role in this field.

The co-operative societies in Coir, handloom and handicrafts are getting working capital accommodation from District Co-operative Banks under NABARD Scheme of Refinancing. The rate of interest on such advances is 11 percent, but the State Government subsidies interest to the extent of 6½ percent. Therefore the actual rate of interest for these Co-operatives comes only to 4½ percent.

A large percentage of co-operative societies in Coir, handloom and handicrafts are defunct, the respective shares being 45.8%, 22.37% and 60.63%. These dormant societies are not in a position to get working capital accommodation from the District Co-operative Banks. In addition, as per the Draft EighthFive Year Plan 1992-97 and Annual Plan 1992-93 Volume I, majority of the working societies in all these industries have been incurring losses for the past several years and therefore, they are also denied the facility of institutional finance in conformity with the norms prescribed by NABARD.[8]

8. Government of Kerala, Eighth Five Year Plan 1992-93 and Annual Plan 1992-93 Volume I, State Planning Board, Thiruvananthapuram, 1991, P.81, 77 and 73.

The norms fixed by NABARD are long back and there have been no modifications so far. This is said to be unscientific. For instance, per loom finance in cotton weaving is fixed Rs.3000/- and this is quite insufficient in view of the increased prices of raw materials and wages.[9] Likewise, cash credit accommodation of 40 percent is based on past year's production and this too is unscientific.[10] In these industries chances of production are likely to fluctuate depending on the availability of raw-materials. Therefore the norm of 40% of the value of production in a year of scarcity of raw materials will be far less than what is required in the immediately succeeding year when raw material is sufficiently available.

The primary Co-operative Societies in all these industries are tied to an apex society in their respective areas. These apex societies are also in very severe financial difficulties. Therefore, large amounts are due from them to primary co-operatives in respect of goods procured. These accounts receivable add to the financial constraints experienced by the primary co-operative societies. The amounts due by Handloom Apex Society to primary co-operatives

9. Government of Kerala, Report of The Task Free on Traditional Industries Eighth Five Year Plan 1990-95, State Planning Board, Thiruvananthapuram, 1989, P.52.

10. Ibid.

which are Rs.402.93 lakhs in 1987-88, Rs.506.18 lakhs in 1988-89 and Rs.646.70 lakhs in 1989-90, is a good instance to it".[11]

The KVIC through SKVIB is the major financier for KVI units. Financial assistance at the time of formation of a unit is sanctioned promptly to see that the units comes up. There is delay in sanctioning working capital loans due to elaborate procedure and centralisation of powers in the State Khadi and Village Industries Board. Loans to individuals are security oriented and the procedure is more complicated than those for Co-operative Societies and regd. institutions. A vast majority of artisans still remain outside the financial benefit of KVIC. The individual units show greater utilisation of bank lending under DIR and Composite Loan schemes. In this case also, there are deficiencies like shorter repayment period, granting amounts less than what artisans are eligible for and undue delay in sanctioning loans when amounts involved are large. Artisans are dependent on middlemen or money lenders for working capital. Loans to co-operatives in coir, handloom and handicrafts are advanced by the District Co-operative banks under the NABARD Scheme of refinance. Loss making societies are not eligible for institutional finance as per the norms of NABARD. Norms fixed by

11. Compiled from the Annual Reports of HANTEX 1988-89 and 1989-90, Thiruvananthapuram, P.14 and 15.

the NABARD are long back and there have been no modifications so far to take into account the changes in the prices of inputs. Amounts due by apex societies to primary co-operatives add to their financial constraints.

C H A P T E R - VI

MARKETING

Importance

Sales is the object of manufacture. While all operations prior to sales incur expenditure, sales alone fetches revenue. For the sustenance of a manufacturing unit whether large, medium, small or village and cottage, its products have to be sold to the public

Sales was no problem for village and cottage industries before invention of machines for the production of goods. Artisans could sell easily whatever they produced. They enjoyed easy marketing facility till the end of eighteenth century since when the demand for their products started declining in the face of competition from cheap machine made articles and the increasing use of such articles with the development of transport.

Change Over to Consumer Oriented Selling

Today the products of village and cottage crafts are manufactured by large units also on a mass scale. Production of similar articles on a mass scale by different firms vested the customer with the privilege of choice. As more and more products compete in the given market, only the product of the firm which has an edge over others in terms of quality and cost will survive in the long run.

With the emergence of competitive market, the selling strategy of firms also underwent a change. Today, selling which involves exchange of goods for value, is only a part of modern marketing strategy. Modern marketing strategy comprises identifying consumer requirements in the market and producing goods and services that can satisfy him and making them available at reasonable prices. Thus it is consumer oriented. It is different from traditional marketing where producers produced goods without considering the requirements and tastes of the public and tried to sell them. The consumer orientation in the modern strategy necessitates a firm for its survival to focus attention on factors such as shape, size and colour of the product, its branding and packaging, pricing strategies, channels of distribution, advertising, market research etc. These functions are applicable to traditional industries also.

Organised Marketing Channels for Village and Cottage Industries

Marketing was a problem for cottage industries in the early days of independence. This was identified by the Industries Conference held in 1947. People were doubtful about the quality of goods sold by artisans. Therefore, artisans had to depend upon middlemen for the sale of their goods. While procuring products from artisans, middlemen paid them lowest prices and they extracted maximum from the consuming public. Thus they enjoyed the fruits of the hardwon labour of craftsmen.

In order to help village and cottage industries in the field of marketing and eliminate middlemen, All India Boards and State Level Agencies have opened a number of showrooms for the industries under their jurisdiction. They are known by different names such as handloom houses, handicraft emporia, Khadi gramodyog bhavans, khadi bhandars or bhavans etc. These marketing outlets are expected to practise modern marketing methods to ensure the sale of village and cottage industries products. An evaluation of their marketing practices is done here.

During the British rule and in the early days of post independence era, there were large number of people who bought the products of village and cottage industries, especially khadi on ideological grounds. Today, the number of such users is on the decline. Cost and quality are two important aspects in the minds of customers while they spend their hard earned money. People who belong to lower strata of society are concerned about the cost while those in the upper strata, considerations like pattern of production, variety and designs assume importance.

The products of village and cottage crafts are at a disadvantage in respect of both quality and cost. For instance, the cost of khadi is higher than those of handloom, powerloom and mill cloth and handloom is costlier than powerloom and mill cloth. This is a major factor responsible for the extremely low share of khadi in the textile production of the country and an insignificant share of handloom compared to powerloom and mill cloth. In the total textile production of India, the share of khadi is hardly 1 percent while handloom accounts only for 30 percent and the rest completely comes from mill and powerloom sectors.

In handloom, the State Kerala is at a greater disadvantage than Tamilnadu due to the lack of uniformity in wage rates for various categories of workers in handloom and they are higher than the wage rates in Tamilnadu. Thus the cost of Kerala handloom is higher than that of Tamilnadu handloom. It is reported that Kerala HANTEX cannot compete with Tamilnadu COPTEX.

Coir industry which is mainly export oriented faces competition in the international market from Sri Lanka, Chinese grass mats and synthetic floor coverings. The main competitor is Sri Lanka which has mechanised its coir industry. On the other hand, the industry in Kerala which exports bulk of the coir goods from India is still on conventional lines resulting in low productivity and high cost of finished goods. All these indicate that a consumer oriented approach has not yet been adopted by the production centres in village and cottage crafts.

Quality is another important consideration especially for the people belonging to upper strata. On the quality front, khadi is said to be at a disadvantage. It is reported that khadi cloth does not have the same evenness everywhere and the colour of cloth will fade after a wash. Readymade garments available in khadi bhandars and bhavans are of cheap variety and stitching and cutting of garments are not uptodate. N.H. Umarji in his article "Marketing of Khadi - Some Aspects" describes the following factors responsible for the production of sub-standard khadi.[1]

1. Reluctance on the part of institutions to exercise quality control for the fear of losing weavers.

2. Abandoning the practice of sorting yarn before giving it to weavers.

3. Selection of wrong varieties of cotton or trying to spin yarn of higher counts from varieties of cotton which are not suited to spin yarn of higher counts.

1. N.H. Umarji "Marketing of Khadi - Some Aspects" Khadi Gramodyog, Vol: XXV No.12, September 1989, KVIC, Bombay, P.516.

4. Non availability of adequately trained workers to ensure proper supervision and minimum standards of quality on yarn and khadi production.

Thus the production centres are least bothered about the importance that the customers attach to the quality of a product while they buy it. The centres, in fact, lack consumer orientation in organising their production activities.

Even the retail outlets in khadi are equally unconcerned about the quality of items that they purchase and stock. For agencies buying and selling khadi, the KVIC through SKVIB grants free working capital loan. It does not carry any interest. The agencies availing the loan from KVIC want to show the officials that they are busy with trading in khadi products. Hence they buy and try to sell whatever items they get. This fact is clearly indicated by Venkat Krishnan Natarajan in his article "Marketing of Rebateless Khadi". He says, the availability of interest free working capital encourages retail outlets to stock even slow moving items.[2]

2. Venkat Krishnan Natarajan, "Marketing of Rebateless Khadi" Khadi Gramodyog, Vol: XXXVIII No.9, June 1992, KVIC, Bombay, P.426.

Variety in consumption is a craze of the public today. Public are fed with the use of stale items. The organised sector pays great attention to this aspect of consumer behaviour while it is overlooked by traditional industries. The constant search for consumer satisfaction by the organised sector leads to product development and its market share expansion at the cost of traditional industries. The change in the demand structure for textiles in favour of mill items after independence, is a good example. V.S. Mahajan says,

> "It is well known that there has been a complete revolution in the textile sector. In the mill sector there has been a complete change from the traditional cotton based textiles to manmade fibres and several other new products. Thus the entire rural sector which at one time used to patronise khadi changed its loyalty towards mill made products. They are not only rich in colour and design; they are easy to care and maintain and at the same time are far cheaper than khadi".[3]

Lack of changes in product designs is reported to have affected the marketing prospects of handicrafts. There is huge accumulation of stock in handicrafts due to the production of stereotyped items.[4]

3. V.S. V.S. Mahajan, "Khadi and Employment", Khadi Gramodyog, Vol: XXVII No.5, Feb. 1991 KVIC, Bombay, P.180.

4. Government of Kerala, Report of the Steering Committee on Industry and Mining for Eighth Five year plan 1990-95 State Planning Board, Thiruvananthapuram, 1990, p.65.

The marketing practices of Government sponsored or aided retail outlets are not in conformity with consumer demand. Consumer tastes are seldom studied and production programmes evolved to cope with demand. There is no proper linkage between the producer and consumer. For instance, in the course of the survey of fibre production centres, they reported that they do not get any information regarding the latest consumer taste about designs from khadi bhavans or show rooms of Handicraft Development Corporation through which they sell bulk of their products. Therefore, they are found producing almost the same items. The very few changes that the production centres make in designs are the ones developed by their senior instructors who have no contact with the consuming public. Thus the products fail to secure wide consumer acceptance fetching low prices.

Advertisement is an essential element of modern marketing strategy. It is used to provide information about products and build public confidence in their minds. The organised sector spending heavily on advertisement, is expanding its market share. The case of potato wafers is a fine example. The demand for potato wafers is estimated to be of the order of Rs.400 Crores of which Rs.40 Crores worth is supplied by the organised sector and the remaining by small entrepreneurs, shop keepers and halwais.[5]

5. Kamal Taori & S.N.Singh, "Marketing Rural Industry Products - Experiments & Experience in U.P.". Khadi Gramodyog, Vol. XXVIII, May, 1991, KVIC, Bombay, P. 296.

Because of the aggressive marketing through advertisement, the demand for potato wafers in the organised sector is recording a growth of 30 percent per annum.[6] On the other hand the market share of the unorganised sector remains static due to lack of advertisement.

The units in study expressed their inability to do advertisement. Registered institutions and co-operative societies remarked that their margin is very low and therefore they cannot undertake modern costly advertisement. For industries under the jurisdiction of KVIC, the KVIC gives advertisement. In recent years, the amount spent by the KVIC is on the decrease. Table 29 shows the amount spent on advertisement by the KVIC on different media.

Table - 29

Advertisement Expenditure Incurred by KVIC

Year	A.I.R.	Doordarshan
1989	2,10,663	23,29,000
1990	77,721	5,10,000
1991	1,32,208	NIL

Source: Khadi Gramodyog XXXVIII, No.9
June 1992, KVIC, Bombay, P.426.

6. Ibid.

The table indicates that the advertisement expenditure is on the decrease both on A I R (All India Radio) and Doordarshan. Advertisement through Doordarshan is the most powerful and it has become nil.

Kerala Khadi and Village Industries Board, Thiruvananthapuram makes use of print media for advertisement. It makes advertisement in its own publication "Gramadeepam" and "Jagriti", a publication of KVIC both of which which have only limited circulation. Therefore, they fail to capture the attention of customers.

As the KVIC and SKVIB are involved in the promotion of a large number of industries, it is difficult for them to do advertisement separately for each industry. Registered institutions and co-operative societies can form an apex body like HANTEX for handloom societies and the apex body can undertake advertisement on behalf of the units. A beginning in this line is made by match units in Kollam district by forming a Cottage Match Industries Federation. But even the Federation overlooks this vital aspect of marketing strategy.

Customers, today, while making purchases want to know the technical details of the products. Their apprehension about quality and durability is more intense if the products belong to cottage industries sector. It is the duty of the salesmen to clear customers off all these apprehensions. The salesmen of retail units sponsored by All India Boards and State Level Agencies are all paid employees who lack information regarding the details of products. D. Rajendran in his article "Salesmenship for KVI" says, "generally the manager and salesman in Khadi bhandars and bhavans are quite ignorant of production activities".[7]

Creative salesmanship is a very important aspect of modern marketing. Creative salesmanship is one in which the initiative is taken by the salesman, He reaches out the customers, recognises their needs, creates a demand for it and convinces the buyers that the products will satisfy their needs. Here the salesman does not sell but creates the urge to buy. D. Rajendran adds that there has been a regular complaint that the customers are not being attended to properly in the khadi bhandars.[8] High Power Committee on Industry, Trade and Power, 1985 says, "the employees of Coir Board and Coir Corporation at present engaged in making sales of coir products are

7. D. Rajendran, "Salesmanship for KVI", Khadi Gramodyog, Vol: XXXVII No.9, June 1991, KVSC Bombay, P.370.

8. Ibid. P.371

invariably persons with no sales experience not to speak of marketing expertise. They have risen from the clerical cadres and have not had any training in sales. They are also frequently shifted from place to place".[9] The same problem persists in Handicraft Development Corporation also. A report in 'Hindu' daily dated 30-12-1991 says, "most of the men employed in this Sector lack marketing potential. The men at the helm of marketing in many areas are people who have grown up with the industry. They are people who have had no basic training in management."[10] All these disclosures indicate that lack of salesmanship is a common problem for all Government owned or Government supported agencies in village and cottage industries.

Because of lack of creative salesmanship, the customer service which is valued highly by the present day customers, is very poor. For instance, regarding khadi bhandars N.H. Umarji says,

> "there is much to be said about the customer service in khadi bhandars and bhavans which is uniformly poor. The get up of the bhandars is also not upto the mark and could not normally invite a prospective buyer to stop inside the bhandar. The arrangement of khadi of different varieties is not found in proper order and the goods are often soiled. The salesmen are averse to show the full range of products to buyers".[11]

9. Government of Kerala, High Power Committee on Industry, Trade and Power Volume II, State Planning Board, Thiruvananthapuram, 1985, P.279.
10. Hindu dated 30-12-1991, P.3.
11. N.H. Umarji, "Marketing of Khadi Some Aspects", Khadi Gramodyog, Vol. XXXV No.12, September 1989, KVIC, Bombay, P.520.

There exist arrangements for imparting training to salesmen employed in the distribution channels of the products of village and cottage industries. But there is reluctance on the part of institutions to send their personel for training. For example, the KVIC has made arrangements for marketing assistant's course in marketing to prepare efficient marketing assistants to assist the managers of khadi bhavans/bhandars by training them in techniques and principles of salesmanship. The marketing course includes salesmanship, market channels of distribution and competition, motivation and preferences, consumer selling process, advertisement, display, decorations, exhibitions, exports, accepted tender supply, packaging, Salex tax Act, Shop and Establishment Act, Commercial correspondence, costing and its practices and communication. Besides there are practicals also. Thus the existing training arrangement is in no way inferior so far as the requirement of KVI sector is concerned. But the fact is that even one percent of the employees of KVI marketing outlets did not avail the facility of training despite the fact that there is a condition in the pattern of assistance about non entertainment of management grant claims of bhavans and bhandars unless trained salesmen were employed.[12] Even Commission's own bhavans do not

12. P.H. Nair, "Environment of Rural Marketing for KVI Pfoducts", Khadi Gramodyog, Vol. XXXVI, September 1990, KVIC, Bombay, P.485.

take interest in deputing candidates for training.[13]

Market research that involves the measurement of market potential, market share analysis, sales analysis, competitive products etc. is very popular among large industrial units. Such studies require the services of experts and these can be undertaken by All India Boards on behalf of their respective industries. It is reported that no such scientific study has been done by the KVIC or any other body. Lack of information regarding the latest trends in consumer habits results in the production of stale items. Likewise absence of knowledge about the total requirements of the consumers leads to accumulation of stock.

The coverage of retail outlets in KVI sector is also limited. It is reported that only about 14000 sales outlets are functioning in India in KVI sector, as against the total number of more than 5,00,000 villages.

The distribution channels set up by the All India Boards and Commission or State Level Agencies or other Government supported, have not been able to solve the problem of marketing in village and cottage industries.

13. Ibid.

Khadi bhandars and bhavans which are supposed to handle all the products in KVI sector, give too much emphasis on khadi to the effect that the products of other industries are overlooked. For instance, out of the sale of Rs.255.56 lakhs effected through 149 sales depots in the KVI sector in Kerala in 1988-89, khadi products alone account for Rs.234.17 lakhs while the share of village industries product is a meagre sum of Rs.21.39 Lakhs.[14]

In handloom industry in Kerala, HANTEX which is expected to market the products of handloom co-operatives, has been able to procure only a small fraction of the co-operatives. Table - 30 shows the value of production in the co-operative sector and the value of cloth procured by HANTEX.

Table - 30

Production in the Co-operative Sector and Procurement of cloth by HANTEX

Rs. Crores

Year	Production in co-operative sector	Procurement by Apex Society	Percentage of cloth procured to total production
1988-89	41.90	6.18	14%
1989-90	51.00	8.65	18%
1990-91	65.25	8.96	14%

Source: Compiled from Economic Review 1990 and 1991, State Planning Board, Thiruvananthapuram.

14. Annual Administration Report 1988-89, Kerala Khadi & Village Industries Board, Thiruvananthapuram, P.26.

Likewise, in coir industry primary co-operative societies do not have marketing outlets. These products are supposed to be procured and marketed by COIRFED. COIRFED has not been able to procure the entire products made by the co-operatives. Table-31 indicates production of yarn by primaries and purchase by COIRFED.

Table - 31

Production of Coir Yarn by Coir Co-operatives and Purchase by COIRFED.

Year	Production of yarn by primaries (MT)	Purchase by Coirfed (MT)	Percentage of purchase to production
1985-86	9589	9353	97.5%
1986-87	9587	8137	84.9%
1987-88	10298	8736	84.8%
	29474	26226	89%

Source: Report of the Task Force on Traditional Industries For Eighth Five Year 1990-95, State Planning Board, Thiruvananthapuram, 1989, P.14.

As is seen from the table Coirfed has not been able to purchase and market the entire production of yarn by the primaries. The percentage procurement goes on decreasing. According to the Task Force on traditional industries for Eighth Five Year Plan, this is mainly due to huge accumulation of stock as a result of poor market demand and consequent financial constraints.[15]

The various instances quoted above indicate that the Government sponsored distribution channels have failed in liberating craftsmen of their marketing constraints.

The distribution channels are unable to procure the entire produce of artisans or societies of artisans because of huge accumulation of stock with them. As observed earlier, accumulation of stock occurs due to the fact there is no consumer orientation on the part of production centres and the retail outlets are characterised by weak marketing strategy like lack of link between producers and consumers, lack of creative salesmanship, lack of imaginative advertisement and absence of market surveys.

Table-32 shows accumulation of stock with major marketing outlets in certain village and cottage industries.

15. Government of Kerala, Report of The Task Force For Traditional Industries for the Eighth Five Year Plan 1990-95, State Planning Board, Thiruvananthapuram, May 1989, P.14.

Table - 32

Details about Goods Available for Sale, Goods sold and Closing Stock as on 31..03..1991.

Rs. in lakhs

Sl. No.	Name	Goods available for sale*	Cost of goods sold	Closing stock	Approximate percentage of closing stock to goods available for sale.
1.	Handicrafts Apex Society	157	79	78	50%
2.	Handloom Apex Society	254.8	132.7	121.5	50%
3.	Handloom Development Corporation	421.95	83.95	338.0	80%

Source: Compiled from the Annual Reports of Handicrafts Apex Society and Economic Review 1991.

* Opening stock + cost of goods procured.

As indicated in the table there is huge accumulation of stock. A similar situation is experienced in the case of Coirfed which markets the products of primary coir co-operatives. There is an accumulated stock of yarn worth Rs.770 lakhs and products worth Rs.70 lakhs with this agency as at the end of 1988.[16] The Task Force reports,

> "Coirfed has been running on heavy loss. Huge accumulation of stock resulting in heavy interest burden and godown charges, high administrative and other overheads etc. are the major factors contributing to loss. Loss by way of products becoming unsaleable owing to long storage is also substantial".[17]

These Government sponsored agencies fix targets in respect of sales. But there are no serious efforts on their part to achieve the targeted sales. The case of Handloom Development Corporation is a fine example. Table - 33 shows the sales performance of the Corporation for a few years from 1985-86 to 1989-90.

16. Government of Kerala, Task Force on Traditional Industries for Eighth Five Year Plan 1990-95, State Planning Board, Thiruvananthapuram, P.14.

17. Ibid.

Table - 33

Sales Performance of HANVEEV

Rs. Lakhs

Year	Export Sales		Domestic	
	Budgeted	Actuals	Budgeted	Actual
1985-86	250	--	400	253.80
1986-87	Not Fixed	9.91	Not Fixed	254.41
1987-88	175	78.60	273	238.88
1988-89	125	64.25	325	225.00
1989-90	125	40.98	340	282.97

Source: Report of The Comproller and Auditor General of India for the year ended 31-3-1990 No.2 Commercial Governmen of Kerala, Thiruvananthapuram, 1991. P.163.

The maximum achievement for domestic sales was in 1989-90 to the extent of 80 percent of target. The achievement in the foreign market is no where near to the target and the export market as indicated by the table is on the decline. The Company attributes poor sales to factors like general sluggishness in handloom market, lack of product range, uncompetitive price etc.[18] But the audit report brings out certain serious lapses on the part of the Corporation. It says,

18. Report of the Comptroller and Auditor General of India for the year ended 31-3-1990 No.2 Commercial, Government of Kerala, Thiruvananthapuram, 1991, P.164.

"though the company had fixed annual sales targets (except for the year 1986-87) no action plan like fixation of sub-limits for region/individual outlets was drawn upto motivate the actual sales point to achieve the targets. Further there were no guidelines issued regarding opening of new retail outlets, nor was any market survey conducted to assess the potential before new outlets were opened".19

The reading of the Report of the Comptroller and Auditor General of India, thus confirms that the marketing strategy adopted by Handloom Development Corporation is weak.

Similar lacune are noticed in the case of Kerala State Coir Corporation. Table - 34 shows the achievement in respect of sales by the Corporation.

Table - 34

Details of Budgeted and Actual Sales by Coir Corporation

Year	Budgeted sales	Actual Sales	Percentage achievement
1985-86	160.00	145.82	91.1%
1986-87	203.36	200.08	98.4%
1987-88	241.27	146.54	60.7%
1988-89	275.00	243.84	88.7%
1989-90	400.00	176.46	44.1%

Source: Audit Report of the Comptroller and Auditor General of India for the year ended 31-3-1990. No.2, Commercial, Government of Kerala, Thiruvananthapuram, 91 P.187.

19. Ibid

As the table indicates, the percentage of achievement in sales which was 91.1% in 1985-86, has come down to 44.1% in 1989-90.

An important objective behind the commencement of Coir Corporation is to assist small producers in selling their produce in the foreign market giving them fair prices. But the share of the Corporation in the total export of coir products from the country is negligible. This is indicated by the Table - 35.

Table - 35

Details of Export of Coir Products by the Company vis-a-vis total export of coir goods from the country for five years-upto 1989-90.

Year	Total value of export (FOB) from the country	Export (FPB) value by the company	Percentage of company's share to total exports
1985-86	3284.67	91.16	2.8%
1986-87	3144.46	86.40	2.7%
1987-88	3219.80	22.91	0.7%
1988-89	3331.52	50.61	1.5%
1989-90	3959.43	15.88	0.4%

Sources: Report of The Comptroller and Auditor General of India for the year ended 31-3-1990, No.2, Commercial, Government of Kerala, Tvm., 91 P.188.

As indicated in the table, the corporation's share in the total exports of goods from the country is negligible. Thus the object behind the incorporation of the Company stands defeated.

Again, because of the ineffective marketing techniques, there is huge accumulation of stock with the Coir Corporation. Table - 36 indicates details of closing stock.

Table - 36

Details of Closing Stock

Year	Closing stock in Rs. Lakhs	Closing stock in terms of average monthly sales
1985 - 86	51.07	4.2
1986-- 87	47.15	2.8
1987 - 88	121.63	10.0
1988 - 89	77.59	[illegible].8
1989 - 90	65.00	4.4

Sources: Report of The Comptroller and Auditor General of India for the year ended 31-3-1990, No.2 Commercial, Government of Kerala Thiruvananthapuram, 1991, P.202.

The audit report observes, "The company had not prepared a list of items which were slow moving/non-moving.

A test check by Audit of the stock ledger for mats revealed that about 50 items (value Rs.2.32 lakhs) were non-moving for the last 3 years."[20] This further substantiates that the marketing techniques of the Coir Corporation do not conform to modern marketing strategy.

In short, an analysis of the activities of various agencies set up for relieving craftsmen of their marketing constraints, indicates that they have failed in their obligations.

The distribution channels of surveyed industries and the marketing problems of these industries are discussed below.

Fibre

The distribution channels for fibre articles are khadi bhavans and Handicrafts Development Corporation and private traders. Even for the same article, procurement prices are different for khadi bhavans and Handicraft Development Corporation. While khadi bhavans demand a deduction of only 10% from the selling price, Handicraft Development Corporation requires the commission to be 30 percent off selling price. But settlement of dues involves greater delay on the part of khadi bhavans. While Handicraft Development Corporation makes the payment in one month, khadi bhavans take longer duration

20. Ibid. P.203.

even three months. The urgent need for cash and the resultant low holding capacity compel the production centres to approach Handicraft Development Corporation for the sale of their products. Further, the production centres reported inadequate price variation over a period of five years to compensate the hike in the prices of raw materials. They alleged that the procurement agencies both Government owned and private become reluctant to absorb stock if a slight increase in price is made. They expressed the fear that the step of increasing the price proportionate to the increase in prices of inputs leads to accumulation of stock.

In this context it may be stated that while 10 percent margin in selling price gives reasonable profit to khadi bhavans, 30 percent margin to Handicraft Development Corporation gives it huge profits. The production centres allege that their sales proceeds are just enough to meet material cost, wages and other indirect expenses like managers salary. They attributed the low wages of artisans to the inadequate prices obtained for the products. The very purpose behind establishing Government aided marketing outlets is to ensure reasonable prices to artisans for the products made by them. But the actual results show that this object has been defeated. The story of Handicraft

Development Corporation is the same as that of private traders in fibre who take 30% margin.

Pottery

There is no organised distribution channel for pottery items. Pottery wares are sold through traders. These traders procure the products in bulk from potters' clusters and take them to different places for sale. They sell the products to both small traders and customers. These middlemen advance money to potters for buying clay, firewood, straw etc. on the condition that the products have to be sold to them. Traditional potters are forced to accept this arrangement. It is reported by potters that the middlemen extract maximum price while paying them low prices. For instance, the selling price of a big cooking pot to artisan is Rs.3.00 while it fetches Rs.4.00 from the customer to the middlemen. Thus the middlemen enjoy a profit margin of 33 1/3% on cost. Again, in the case of 12" garden pot while the artisan gets only Rs.8.40 from a middleman, the middleman gets an average price of Rs.11.00. Thus the middleman realises a profit of 30 percent. The unorganised nature of artisans, inadequacy of funds and the consequent low bargaining power are responsible for this state of affairs.

The registered institutions and co-operative societies which are also selling the products through the same middlemen are found getting larger prices. The sale price of a 12" garden pot by a co-operative society or a registered institution is reported to be Rs.9.00 as against Rs.8.40 by an individual unit.

Although there is a tendency on the part of middlemen to exploit individual potters, they are found playing a useful role by helping artisans in organising production according to the requirements of customers. Since most of the middlemen have direct contact with customers, they know what the customers require. For instance, middlemen are in a position to know the different sizes of garden pots required, quantities of cooking pots needed etc. They pass on this information to potters also who organise production accordingly.

Another serious problem of pottery is that the percentage change in selling price is inadequate to offset that in raw materials. The increase in selling price during the past five years is from Rs.6.10 to Rs.8.40 recording a percentage change of 38%. As against this, changes in various inputs used by potters are 70% for clay, 80% for wood and 75% for straw. Artisans alleged that the variation in selling price is less than proportionate to those in raw materials and this has caused a decrease in their earnings.

Cottage Match

The distribution channel for cottage match consists of wholesalers and retailers. The selling strategy of the cottage match units surveyed is to approach one or two wholesalers and sell the entire produce to them. The wholesalers distribute them to retailers from whom the customers get the products. Market is local, mainly confined to the districts where the units carry on production. The only exception is in Quilon where the Federation formed by the match units takes the products to other districts. The availability of match from Tamilnadu in plenty strengthens the bargaining power of both wholesalers and retailers. In view of severe competition, wholesalers can dictate prices to manufacturers and retailers to wholesalers. Here the worst affected are manufacturers. While the production centres realise Rs.96 for 600 Nos., the price obtained by wholesalers is Rs.113 from retailers. The retailers sell them to consumers at a price of Rs.153. The profit margin on cost is 18% to wholesalers while it is 35% to retailers. The production centres as against these, are reported to be operating on break even point.

The Cottage Match Industries Federation concentrating on marketing side also could not pay a much higher price to the match units. It can pay only a rupee higher per 600 nos. than that given by wholesalers. The service of the Federation is available only to match units in Quilon district. The Federation supplies part of its products to wholesalers and the rest to retailers. The presence of the Federation has not succeeded in eliminating any intermediary in the chain of distribution. This accounts for its inability to pay a larger price.

As observed in the case of Pottery and fibre, match units also reported only slight variation in selling price for the past five years. i.e. from Rs.70 to Rs.96 recording 37%. On the other hand, their inputs such as chemicals show variation ranging from 30% to 400% and splints around 62%. The units attribute their inability to generate surplus to the disproportionate variation in selling price.

<u>Honey</u>

In order to ensure fair price to bee-keepers for raw honey, KVIC/SKVIB have taken certain steps like sponsoring honey houses, fixing its floor price and making arrangements for the sale of processed honey through khadi bhavans and bhandars. The SK/IB has fixed the selling price of raw honey per Kg. as Rs.25 for 'A' Grade and Rs.24 for 'B' Grade and Rs.48 for processed and bottled honey. The selling price for raw honey in the open market is higher than that fixed by the Board. This induces bee-keepers to sell a larger portion of their produce in the open market. The societies are left only with the balance output. The low volume of honey handled by the societies and registered institutions makes their presence meaningless. This happens because co-op. societies and regd. institutions cannot vary price in accordance with market price.

The societies and registered institutions may do the function of honey processing also. The societies and regd. institutions in study undertake this function. In processing, they incur expenses like fuel charges, wages to workers, bottling and strapping, getting honey agmarked, packing the bottles in cartons and transporting them to khadi bhavans or bhandars. The units are required to sell the bottled honey at the rate of Rs.43.20 to khadi bhavans. The units reported that they can operate only on no profit no loss basis, with this price. On the other hand, khadi bhavans can sell the processed honey at the rate of Rs.48 per Kg. customers. Although the margin Rs.4.80 per Kg. i.e. 10 percent on selling price is not high, it is more than what production centres earn.

Lime

Lime shell collectors sell lime shall to societies and regd. institutions. Societies and regd. institutions sell it either in raw form or after processing it. Lime is an industrial input required by chemical companies, cement factories, paint companies etc. Further it is used as a fertiliser also. All the societies and reg. institutions in the study reported that they are able to sell it without any difficulty.

Artisans in lime collection are able to realise Rs.5.50 per tin from the societies and regd. institutions and per day they can collect 11 tins on an average. Thus their earnings come around to Rs.60 which is more or less same as the local wage rate. Further the artisans surveyed argued that their earnings show a tendency to rise in proportion to the prevailing wage rates. Five years back, the price per tin was Rs.4.30 and their earnings stood at Rs.48 per day. The earnings in five years gap show an increase of 25%.

A major part of the produce is sold by the Co-operative societies and registered institutions in raw form to companies which require it. They realise an average price of Rs.7.08 per tin. Thus the gross margin is Rs.1.58 (7.08 - 5.50). The units in study are reported to be getting surplus after meeting their managerial expenses.

In lime processing additional expenses like licco, coconut shell and wages for outside workers are incurred. The prices of all these inputs have doubled within a gap of five years. The selling price of burnt lime also has been increased from Rs.0.85 to Rs.1.70 per Kg. Even then, the earnings of artisans a day are noticed to be around Rs.50 only. This is lower than the corresponding wage level of Rs.60 in alternate jobs. Therefore, this segment of the lime industry evinces a tendency of migration on the part of artisans. It may be mentioned here that the co-operative societies and registered institutions undertake processing only a small fraction of their collection of raw lime shell. The industrial houses which procure the lime shell of societies and registered institutions, have their own processing arrangements. Hence, the demand for processed lime is not high. In fact, processing lime is found not profitable as selling it in raw form.

To Conclude, All India Boards and Commission and State Level Agencies have formed as well as helped the formation of a number of retail outlets for sale of the products of their respective village and cottage industries. The marketing practices of these outlets are not in conformity with modern marketing strategy. Consequently there is huge accumulation of stock with them. This situation renders the retail outlets unable to procure the entire output of artisan units. Besides, the retail outlets formed or aided by National and State level organisations demand substantial discount from artisans or organisations of artisans off the selling prices of their products. Because of the limited role of these retail outlets, artisans are forced to approach middlemen for the sale of their products. In this context reference may be made to certain disclosures made by the Planning Commission in the Seventh Five Year Plan Volume I. It reads,

> "in the case of handlooms, the marketing support provided through the public emporia has accounted for sale of goods of about Rs.250 crores against the level of production of handloom cloth of Rs.2880 crores.

> Similarly, in the case of handicrafts, institutional support has accounted for sale of goods of about Rs.30 crores out of a total production valued at Rs.3500 crores."21

The field survey information disclosed that there have been appropriation of the surplus of artisans by middlemen.

In short, the study proves the hypothesis, "marketing is still a burning problem of village and cottage industries and hence, the Governmental efforts should lay more stress on demand creation" as correct.

21. Government of India, Seventh Five Year Plan Volume I, Planning Commission, New Delhi, 1985, P.121.

CHAPTER - VII

SUMMARY OF FINDINGS

The village and cottage industries thrived in India till the end of the eighteenth century. They began to decline with the invention of machines for large scale production and development of transport. During the freedom struggle, national leaders under the guidance of Mahatma Gandhi formed All India Spinners Association and All India Village Industries Association to promote and develop hand spinning and other village industries respectively. But their efforts did not succeed due to non co-operation from alien rulers.

Governmental efforts for the development of these industries were started with the independence of the country. Convening the Industries Conference by the Union Government was the first step. It identified the problems of village and cottage industries as shortage of raw materials and finance, outdated technology, defective marketing and competition from the large organised sector. As per the recommendation of the Conference, All India Cottage Industries Board was set up in 1948 to advise the Government on measures to tackle the problems faced by these industries from time to time.

Soon after the formation of the Board, it was realised by the Government that a single organisation was incapable of dealing with the problems of a wide variety of industries belonging to the village and cottage industries sector. Therefore, the Central Government constituted All India Boards or Commission for handloom, handicrafts, sericulture, coir, khadi and village industries.

Under the Indian constitution, development of Small industries is the responsibility of State Governments. Hence, the State Governments alongwith the Centre set up various organisations for their proper development. The Government of Kerala has also formed separate organisations for major village and cottage industries of the State such as coir, handloom, handicrafts and khadi and other allied village industries.

Thus both the Central and State Governments take efforts for the development of these industries.

In practice, while the functions of the Central Government are confined to formulation of major policy decisions and sanctioning funds, actual implementation of the schemes is left to the State Governments.

The first step in the assistance programme of the Central Government was to protect the village and cottage industries from the competition by the large organised sector. For this, the Planning Commission formulated a 'Common Production Programme'. It comprises 1. reservation of spheres of production, 2. non expansion of the capacity of large plants and 3. imposition of cess on products of large scale units. During the plan period, the application of these measures was limited to protect the handloom sector from the encroachment of the organised textile industry.

Protection of this sector continues even now. But the data on this industry does not vouch for the success of the programme. This is due to the encroachment of the powerloom sector on items reserved for handloom. In fact, the policy measure adopted to help the weak units was availed by the undesired category. The Government is very well aware of this trespass. This is evident from the declarations in the Sixth and Seventh Five Year Plan Documents made by the Central Government. They promised to put an end to encroachment. But the effort has not been successful. Instead, the Government started releasing exaggerated statistics on handloom production and employment. This helps only to conceal the growing unemployment and underemployment among handloom weavers. Measures of Common Production Programme were extended to other industries during the Second Plan Period. The study showed that the attempts to develop those industries through protective mechanism did not succeed due to the indifference of the State Governments and the artisans, and defective technology. The indifference of artisans arose from the fact that these industries demanded very strenous and tedious operations on their part and their earnings did not commensurate with the efforts.

The reservation of the spheres of production is still adopted as a method to protect small industries from the competition by the large organised sector, Phase by by phase, the number of items in the reserved list has been increased to 836. For the purpose of reservation, the Government treats the modern small scale industries on an equal footing with village and cottage industries. The modern small scale industries have superior technology, better entrepreneurial talents and higher scale of operation relative to village and cottage industries. These advantages of the small scale industries place them in a superior position to village and cottage industries cost-wise and thus enables them to reap the entire benefits of reservation. It may be noted that the policy of reservation is continued by the Government despite the avowed objective of the Planning Commission to make the village, cottage and small industries sector self supporting. The Planning Commission declared its intention in Third Five Year Document to make the village, cottage and small industries stand on their own feet through positive forms of assistance such as supply of raw materials, technological upgradation, training etc. and to reduce the role of subsidies and sheltered markets.

The Government focussed its attention on evolving programmes for the creation of the demand for small industries. The Central Government is the single largest buyer of a variety of goods and it launched a Stores Purchase Policy in 1956-57 to ensure the market for the products of small units. In this case also, the Government's policy is to club the modern small industries with village and cottage industries. Hence, the village and cottage industries are unable to derive any benefit out of the Central Government's Stores Purchase Policy.

In contrast to the practice of the Central Government, certain State Governments such as Tamilnadu, Gujarat and West Bengal have accorded special preference for the products of khadi and village industries in their purchase programmes. The effectiveness of this policy is yet to be ascertained.

The Central and State Governments wanted small units to avail the benefit of economies of large scale operations. For this purpose, they have been encouraging the formation of industrial co-operatives as the field level organisation for village and cottage industries from Second Five Year Plan. The information collected in respect of co-operatives in KVI sector indicated that they suffer from certain organisational gaps such as formation without proper feasibility studies, inadequate follow up and guidance, mistrust between management and artisans, weak management etc. These deficiencies hampered the growth of co-operatives formed by artisans. A vast majority of co-operatives - 45.89 percent of coir, 22.37 percent of handloom, 60.63 percent of handicrafts and 67.03 percent of the khadi and village industries are reported to be defunct. Inshort, the study shows that the various policies adopted by the Government have not benefitted the artisans. It proves the hypothesis "Government policies have been,by and large,unimaginative and have benefitted neither the industries concerned nor the prospective beneficiaries" as correct.

Outdated technology was identified as a problem of village and cottage industries by the Industries Conference in 1947. In order to improve techniques of manufacture, All India Boards and Commission have set up a number of research institutes. They have devised certain modern equipments. The carding machine and ratt in fibre craft, shaila wheel and improved updraught kiln for pottery, electrical processing plants for honey processing and power operated kiln for lime processing are some of the equipments developed for the industries selected for detailed study. The study shows that the artisans have not been able to make use of these equipments because of their deficiencies in field application, inadequate training, lack of funds for their acquisition, poor publicity by the implementing agencies and the fear of labour displacement on the part of the Government.

Inadequate training does not mean that the Governments do not provide for training facilities. To enable artisans to use modern equipments, All India Boards and State Level Agencies conduct training courses frequently. All the trained craftpersons in fibre and bee-keeping and 80 percent of those in pottery opine that they have not been benefitted by the training programme offered by the State Khadi and Village Industries Board. Short duration, lack of punctuality and regularity and versatality on the part of the training squad are observed as the reasons. So the efforts on technological improvements and training failed in such industries.

Technological changes improve the quality of the products of village and cottage industries and make them competitive in the market. This increases the bargaining power of artisans which in turn, leads to an increase in their earnings. The labour displacement that technological changes make, can be absorbed in industries making such equipments. While these industries can survive in the short run due to the liberal assistance offered by the Government, their survival in the long run is dependent upon such technological changes. Thus the study proves the hypothesis "Governments should redouble their efforts in the provision of infrastructure, especially in the area of technology upgradation of village and cottage industries" as correct.

Shortage of raw materials was another major constraint of village and cottage industries. In order to ensure its availability, the Governments have resorted to various regulatory measures. Husk control order, Single Point Levy System and Three Point Levy System are some of the measures adopted, to ensure the supply of husk to coir co-operatives. Despite these measures, the quantity of husk procured by coir co-operatives in 1989-90 was just 12 core as against the requirement of 195 crore husks. In handloom, there exists a stipulation on the part of spinning mills to produce 50 percent yarn in hank form. But this stipulation is never observed by the Spinning mills. Even the quantity of yarn that the mills in Kerala produce, is sold outside the State due to higher sales tax prevailing in the State. Thus the policy measures enunciated to ensure the availability of raw materials have failed.

To ease the raw material burden on the shoulders of craftsmen, the Government sponsored agencies undertake the supply of materials. But they meet only a part of the requirements of artisans or organisations of artisans. For instance, as against the requirement of hank yarn valued at Rs.16 crores for handloom co-operatives, the supply made by the Apex Society HANTEX, in 1989-90 was for a meagre sum of Rs.2.42 crores.

One of the objects behind the formation of KVIC and SKVIB is to supply raw materials required by the industries under their jurisdiction. But they limit this function to khadi alone. The artisans engaged in other occupations have to procure raw materials competing with the organised sector.

The study further revealed that the prices of raw materials used by craftsmen have doubled during the period of study i.e. from 1987-88 to 1991-92. They complained that they could not pass on this burden to consumers due to weak bargaining power.

As a result of the above situation, the earnings of artisans in fibre, pottery, match and lime processing are reported to be much lower than those in alternate jobs. This causes large scale migration of workers from these occupations to other jobs. The co-op. societies and regd. institutions formed for generating employment in fibre, match and pottery are found working with lesser number of workers in 1991-92 than those in 1987-88.

The position of workers in major industries of the State are equally bad. In coir, handloom and handicrafts, the returns are stated to be low due to under-employment. Workers in coir co-operatives are getting employment only for a part of the year, approximately 100 days a year. The State handloom sector has a capacity to produce 104 lakh metres of cloth per year. As against this, the actual output in 1990-91 is only 54.58 lakhs metres. This indicates that the workers got employment only for half of the year. The handicraft industry in the State is also in the same boat. In short, the village and cottage industries sector has become unremunerative and the artisans migrate to other jobs for their livelihood. This, in turn, retards the growth of this sector. Hence, the hypothesis, "low level of earnings by those engaged traditionally in village and cottage industries is the major cause of distraction and as a result, they give up the job and this retards the growth of such industries" is proved correct.

In contrast to above, persons engaged in lime shell collection are getting wages comparable or even better than those in alternate occupations. So there is no shortage of the workers of the co-operative societies and regd. institutions functioning in the field of lime shell collection. Similar is the case with bee-keeping. Persons engaged in bee-keeping are increasing year by year. This is inspite of the fact that the output of honey per box is less than the expectation of SKVIB. Good demand and better price realisation are reasons for this State of affairs. Effort of the institutional agencies is said to be the minimum in this line. It is limited to the supply of equipments and occasional training. Lime shell collection is viewed as a source of employment among the people traditionally engaged in it while bee-keeping is adopted by persons as a part time occupation to supplement their earnings.

Finance is one of the most important inputs required by the artisans. Since they belong to economically weaker section of the society, they do not have their own funds for manufacturing and marketing expenses. The State Governments, realising their requirements have been assisting them under State Aid to Industries Act since 1920. But this assistance was very negligible to have any effect on the conditions of the artisans and the formalities were cumbersome. The International Planning Team (1954) held the view that State Aid to Industries Act was practically of no benefit to small industries. Therefore, the State Governments liberalised the procedure for granting loans under the Act. Even then, the assistance did not commensurate with the requirements.

During these periods, the bank finance to small units was also negligible due to insistence on security which the poor artisans were incapable of providing. With a view to promoting liberal bank assistance to the weaker section, the Government of India introduced the Credit Guarantee Scheme in 1960. This accounted for an increase in bank lending to small industries. But the units financed were larger in size and were those capable of complying with the requirements of banks like providing margins, maintaining proper books of accounts etc.

The National Credit Council at its meeting held in 1969 emphasised the necessity of banks increasing their lending to agriculture and small industries. But this mere suggestion did not produce any positive impact on bank lending. At last, in 1974, the RBI stipulated that 33 1/3 percent of the total advances of commercial banks should be to the priority sector and this limit had to be achieved by March, 1979. In 1980, the target was raised to 40 percent and banks were asked to achieve the limit by March 1985.

The target of 33 1/3 percent advances was achieved by banks as per schedule. But the second one viz. 40 percent has not been accomplished within the time allotted. The banks took two more years to reach the level. The studies on this matter show that the beneficiaries of the priority sector lending are modern small scale industries and not the weakest among the weak, the village and cottage industries.

The Government of India in March, 1972 formulated the Differential Rate of Interest Scheme under which loans are to be granted at lower rate of interest to economically weaker section of the society without any security. Artisan units are also made eligible for loans under the scheme. Further in 1978, in response to the recommendation of the Working Group headed by W.S. Tambe, the RBI formulated the Composite Loan Scheme for village and cottage industries. In this case also, banks are not to ask for any security or surety and provide softer repayment period ranging from 7 to 10 years with 12 months start up. However, the field survey disclosed that 40 percent of the artisans have been able to get it only after depositing their title deeds of property and the rest 60 percent upon furnishing surety.

Artisans have also not been given the moratorium for initial payment. Repayment schedules are fixed arbitrarily by the bank managers. They do not conform to the norms laid down by the RBI. Consequently, repayment difficulties are experienced by the units. The percentages of units making default in pottery, bee-keeping and lime are 83 percent, 41 percent and 55 percent respectively.

The period taken by banks in granting DIR loans which involved small amounts varied from 2 weeks to 1 month. But in the case of composite loans which involved larger amounts, banks are reported to have taken periods ranging from 2 to 4 months. 9 percent of the units surveyed reported that they had applied for larger amounts but were given only less - far below their requirements. Thus, many inadequacies exist in the case of loans granted by banks under DIR and composite loan schemes.

In spite of the above limitations, artisans show greater utilisation of bank schemes than any other financing scheme. Out of 220 individual units surveyed, the number financed by banks under these schemes is 132 respresenting 60 percent. The greater utilisation of bank schemes by artisans is mainly due to the fact that banks are nearer to their cottages than other financing agencies which are generally located in district head quarters.

So they can visit banks frequently without any interruption in their production.

The KVIC through SKVIB also finances industries in the KVI sector. Loans to co-op. societies and regd. institutions are given without any security while those to individuals are strictly security oriented. Low rate of interest, capital subsidy and easy negotiation are stated to be the merits of this institutional financing. But the study reveals that easy negotiation with SKVIB is true only for units at the formation stage. This is due to the fact that the efficiency of the officials of the Board is guaged on the basis of the amounts spent and the units set up. Hence, their efforts are directed towards setting up new units. But once they come up, the officials take an indifferent attitude towards their requirements.

Centralisation of powers with State Khadi and Village Industries Board causes delay in Sanctioning loans. The units have to send their applications to the respective district offices. The district offices will forward them to the State Office which is the sanctioning authority. Funds are disbursed to the units only after obtaining sanction from the State Office.

A major set-back of this institutional financing is the inadequacy of funds made available. The SKVIB sanctions loans according to the norms fixed by the KVIC. The KVIC formulates the pattern of assistance on an all India basis. It does not take into account the regional variations involved in costs. The units reported inadequacy of capital expenditure loan provided on this pattern.

Another drawback of the SKVIB financing is the unscientific repayment schedule. Major portion of the finance from this institution is availed by co-operative societies and registered institutions and they are running at very low margin. They reported that their earnings were low and insufficient to pay off loans and interest in time. 64 percent of the co-operative societies and 72 percent of individual units being financed by SKVIB face difficulty in repayment. It is alleged that this high percentage of default is due to the fixation of repayment schedules without taking into account the repaying capacity of the units.

The defaulting units gets fresh loans from the SKVIB only after deducting the amounts due from them to the Board. This practice aggreyates the financial constraints of the units.

The individual units show very poor utilisation of the KVIC scheme due to its insistence on security. Since these units do not have any security to provide, they are deprived of the financial assistance of SKVIB.

Because of the growing requirements of KVI units and the financial constraints of KVIC, the KVIC introduced Interest Subsidy Eligibility Scheme in 1977. Under this scheme, major institutions whose production/sales exceed Rs.25 lakhs are made eligible to obtain bank finance to meet a part of their requirements. The KVIC reimburses the banks the difference between the banks lending rate and the rate of interest charged on loans advanced by the KVIC to units i.e. 4 percent. To meet the bank requirements, the KVIC agrees to provide bank, a "letter of disclaimer of prior rights". The result of the scheme is not very encouraging. The reluctance of KVIC to surrender the first charge on the movable and immovable properties of the borrowing units is the reason for the poor performance. Another difficulty noted is the difference in the methodology of calculating loan requirements by the KVIC and banks. Thus lack of co-ordination between them and the absence of a unified loan policy are hampering the interests of the borrowing units.

Financial assistance to co-operative Societies in Coir, handloom and handicrafts are provided by the district co-operative banks under the NABARD scheme of refinance. One of the pre-requisites of the scheme is the track record of these units. They should have the ability to pay off loans. Majority of the working societies in these industries have been incurring losses for the past several years and they are not eligible for loans under the scheme.

Another drawback of this scheme is the insufficiency of funds provided. Maximum eligibility has been fixed by the NABARD long time back and no modifications have been made so far. Thus this channel of funding has also proved to be defective.

Non payment of the dues by Apex Societies to primary co-operatives for goods supplied adds to the financial constraints of primary societies. The apex societies formed for marketing the products of primary societies, are in deep trouble due to stock piling. As these societies are in trouble, they are not in a position to pay off primary societies in time.

Because of the short comings of institutional financing, artisans still depend on middlemen or moneylenders to meet their financial needs. The high rate of interest charged by the moneylenders and the voice of middlemen in fixing prices cause further erosion of their earnings. Unless the Governmental agencies take a realistic attitude in extending financial assistance, these poor artisans will continue to be in the grip of money lenders and middlemen which will ultimately force them to look to other occupations to meet their day to day requirements. This will result in the natural death of many village and cottage industries.

Marketing was identified as a major constraint of village and cottage industries by the Industries Conference held in 1947. Artisans were selling their products through middlemen who, appropriated their surplus. To liberate the artisans from the clutches of middlemen and to help in marketing the goods, All India Boards and State Level Agencies have set up their own retail outlets or helped to create separate agencies.

Khadi bhandars and bhavans are one of such agencies created especially to market the products of KVI sector. But an analysis of their sales over the years shows that a major part, approximately 90 percent, of their dealings is in khadi. Artisans producing other items are not benefitted out of the creation of these agencies. It is also alleged that the purchasing policy of this organisation is fixed by their central office. It determines the products, price and the units from which they are to be procured.

Government sponsored or aided marketing agencies have to be given discount off the prices of the products of artisans. The agencies which settle the prices within a short-time are found deducting substantial discounts. Production centres and artisans because of their urgent need for cash, are forced to approach them for the sale of their products. Thus there is an exploitation on the part of these agencies.

Marketing in the present day competitive economy is an art. Proper feedback between producers and consumers, advertisement, creative salesmanship, market surveys etc. are the essential aspects of modern marketing strategy. There is no mechanism for proper feedback between consumers and producers in the Government formed or aided distribution channels. They are not equipped with creative salesmen and consequently the customer service is poor. Further, the advertisements that they make are inadequate and ineffective. In short, the study revealed that the Government sponsored or aided distribution channels suffer from deficiencies like lack of feed back between producers and consumers, poor customer service, inadequate and ineffective advertisement and lack of market surveys - the very essentials of modern marketing.

The technique employed by these agencies is to sell whatever the artisans produce. There are no attempts to know the requirements of the customers and enable artisans to organise production accordingly. The absence of a consumer oriented selling strategy by these agencies, results in the accumulation of unsold stock. The accumulation of stock makes them unable to procure a major portion of the produce of artisan units. In fact the very purpose of creating these marketing agencies has been defeated. The artisans, due to their inability to meet modern marketing needs, still depend on the middlemen for the sale of their products. This in turn reduces their earning capacity. This poses a threat to the continuance of these occupations as a means of livelihood by the artisans.

In short, the study reveals that marketing is still a major problem for artisan units. Hence, the hypothesis " Marketing is a burning problem of village and cottage industries and hence, Governmental efforts should lay more stress on this aspect by creating demand for their products/ produces" is proved to be correct.

Lime shell collection, on the other hand, presents a satisfactory picture. It does not have any sales problem and hence, the units operating in this line have no accumulation of stock. This is mainly due to the fact that lime is an input required by industrial houses. High industrial consumption of limeshell creates good demand for it. So persons engaged in its collection are getting reasonable wages. But the processing occupation is not so remunerative. This is because of the fact that large industrial units have their own processing arrangements and they prefer to procure lime in raw form. So the processing unit still depends on retail demand, which is declining day by day. Thus lime shell collection units and processing units are live examples to justify that an industry can succeed only if the products have demand. Creation of artificial demand through sales rebates or cutting down supply of large units by imposing restrictions on their production etc. will not yield results in the long run. Hence, the Governmental efforts on motivating artisans to produce cannot succeed unless demand is created for the products.

The study shows that the Governments have formed various agencies to look after village and cottage industries. But their efforts on the betterment of these industries remain on paper or in policy pronouncements. Their functioning is just like any other Governmental Organisation and is not in any manner comparable to a business organisation. The study on the whole supports the hypothesis "Governmental agencies set up for promoting village and cottage industries are inactive and their performance is below the level of expectations".

To conclude, the survival of village and cottage industries depends on their ability to become competitive. There should be efforts to reduce costs and improve quality through technological upgradation. The technologies developed by the research and development institutions in their laboratories, should be tested in the actual fields before they are introduced among artisans. Such technologies must be given wide publicity through exhibitions by the implementing agencies. The implementing agencies must convince artisans, the necessity of adopting modern equipments. Again, the production centres have to resort to product diversification to satisfy the ever changing tastes of the consuming public. Last but not the least, the Government sponsored and aided distribution channels should focus on demand creation by providing feed back to artisan units, proper advertisement, creative salesmanship and thus evolving modern marketing practice.

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