

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

**Thesis Submitted to the Cochin University of
Science and Technology for the Award of
the Degree of Doctor of Philosophy in
Management under the Faculty
of Social Sciences.**

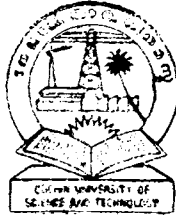
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C E R T I F I C A T E

**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.**

George Varghese

(Dr. K. George Varghese)

C O N T E N T S

		ACKNOWLEDGEMENTS	-	I
		LIST OF TABLES	-	III
CHAPTER	I	INTRODUCTION	-	1
CHAPTER	II	ORGANISATION BUILDING FOR VILLAGE AND COTTAGE INDUSTRIES	-	32
CHAPTER	III	GOVERNMENT SCHEMES FOR VILLAGE AND COTTAGE INDUSTRIES	-	58
CHAPTER	IV	TECHNOLOGY, TRAINING, RAW MATERIALS AND LABOUR	-	86
CHAPTER	V	FINANCIAL SCHEMES AND EVALUATION	-	135
CHAPTER	VI	MARKETING	-	172
CHAPTER	VII	SUMMARY OF FINDINGS	-	207
		APPENDICES	-	231
		BIBLIOGRAPHY	-	238

III

LIST OF TABLES

Table No.	Title	Page
1.	Capital Required For Employing One person in KVI Sector	3
2.	Distribution of Industrial Employment in the State in 1988-89	15
3.	No. of Co-op. Societies Organised and No. Defunct/under Liquidation at the end of March, 1989.	80
4.	Improvement in Productivity of Khadi	89
5.	Cost Index of Handspun Yarn	90
6.	Practice Followed In Giving Shape for Pottery	94
7.	Trends in Prices of Fibre	121
8.	Trends in Prices of Raw Materials For Pottery	123
9.	Trends in Prices of Raw Materials of Match	124
10.	Trends in Prices of Raw Materials For Lime Processing	126
11.	Table Showing Wages of Workers in Industries Surveyed and Wages in Alternate Occupations	127
12.	Details of Artisans as on 31.3.1987 and 31-3-1992 in Match, Fibre and Pottery	129
13.	Details of Artisans as on 31-3-1987 and 31-3-1992 in Lime and Bee-keeping	131
14.	Debt Owed to Different Agencies by Rural Non. Cultivator Households Including Artisans in 1971	140

IV

Table No.	Title	Page
15.	Priority Sector Credit by Scheduled Commercial Banks 1969 - 1989.	142
16.	Sector-wise Distribution of Bank Credit	144
17.	Scheduled Commercial Banks Advances to Small Scale Industries.	145
18.	Progress of Lending Under DRI Scheme (Public Sector Banks)	148
19.	Progress of Composite Term Loan	150
20.	Progress of Institutional Finance under KVIC from 1979-80 to 1985-86.	153
21.	of Details/Units and Their Respective Financing Agencies	154
22.	Time Taken by SKVIB in Sanctioning Loans	156
23.	Details of Units Facing Difficulty in Repayment	158
24.	Progress in ISE Certificate Scheme	162
25.	Approximate Percentage of Artisans Brought Under Schemes of KVIC/SKVIB (All India)	163
26.	Industry Wise and Scheme Wise Financing by Banks in KVI Sector	165
27.	Details of Individual Units Financed by Banks and Facing Difficulty in Repayment.	167
28.	Details of Artisans Depending on Middlemen/Moneylenders.	168
29.	Advertisement Expenditure Incurred by KVIC.	181
30.	Production in the Co-op. Sector and Procurement of cloth by HANTEC.	187
31.	Production of coir yarn by Coir Co-op. and Purchase by COIRFED	188

Table No.	Title	Page
32.	Details about Goods Available for Sale, Goods sold and Closing Stock as on 31.3.1991.	190
33.	Sales Performance of Hanveev.	192
34.	Details of Budgeted and Actual Sales by Coir Corporation	193
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 1988-90	
36.	Details of closing stock in Coir Corporation	195

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 peasantry of other farming countries. Sericulture, sivi culture and vine culture in France; pottery making, diary keeping and lace and embroidery 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 imbalances. 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.

