Chapter VII

SUMMARY AND CONCLUSION
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7.01 INTRODUCTION

Before concluding the study this chapter presents in brief the findings of the research study. It summarises the findings of these enquiries and by way of conclusion, it provides some suggestions for solving the difficulties faced by the industry.

7.02 SUMMARY OF RESEARCH FINDINGS

The findings available from the study of the various literature, reports of earlier surveys and discussions with respondents on the problems of the industry are summarised below.

Chapter-ll reveals that conch-shells were used even in Puranic age. However, controversies are there as to the cult, i.e., the Aryan or the Dravidian, used the conch first. Earlier literatures confirm that conch-shell craft was firstly introduced by Dravidian. But it slowly became a part of Hindu religion as Aryan people mixed with Dravidian people. The origin of use of one of its main products i.e., conch bangles can also be traced in Purans. The use of such bangles have been treated as sacred and valuable since long past.

The craft although located earlier in different parts of India, more particularly in South India and West Gujrat, and Eastern India, now it is mainly concentrated in West Bengal due to the fact that conch shell bangles are mainly used by married Hindu women of West Bengal and its adjoining states viz., Assam, Bihar and Orissa.

This craft occupies a significant position in the handicraft and cottage industry of West Bengal. In early fifties it occupied 8th position in terms of employment. In nineties it occupies the 5th rank. Presently more than 6000 families are engaged in this industry in West Bengal(Table 2.05, Chapter-II).

Earlier surveys identified various reasons for such ups and downs in this industry, but they did not pinpoint the specific financial problems of industry (Section 2.06, Chapter-II). With a view to appraising the financial problem in depth, this study
has described first the production process in Chapter III, so that we may analyse the cost structure and estimate working capital requirements meaningfully.

Articles produced in this industry are grouped into the three major groups:

a) Plain white bangles or *sadha shanka*.

b) Blowing-conch or shell horn.

c) Rings or *Angti*.

As the production processes are technical both manual and mechanised operations are necessary for the purpose. Some operations are carried on with the help of power driven machineries, whereas engraving or design-making operations are generally carried manually as that involve delicate and finer operations. According to the nature of production process and the intensity of use of power-driven machinery, the units can be subdivided into three groups viz., (i) simple, (ii) semi-composite, and (iii) composite. Hence, cost analysis has been made on the basis of production process and the turnover size of the units.

For the purpose of empirical verification cost and other financial data have been collected from 50 sample units selected from different pockets of the state of West Bengal in India. Before analysing the data it has been verified whether the samples are drawn from same population. With the statistical test it has been found that the samples although taken from six different pockets of West Bengal locating in different area, represent the same population having almost the same mean (Section 4.04, Chapter-IV). In Chapter IV for the purpose of cost analysis information on costs incurred in cash and in kind have been gathered through field survey. Costs in kind have been imputed. They relate to the services of family members and family resources, which have alternative uses. That have been imputed for comparison of cost among the units. Rent of the work place provided by the owner is also imputed on the basis of fair rent of the similar type of space in that areas. The cost analysis has been made according to production system as well as scale of operation to point out effectiveness of system of production and economies of scale of production.
The most important element of cost is cost of raw materials because, on average, it constitutes 83.20% of the total sales price. It is the lowest for composite unit i.e., 81.78%, whereas it is 85.65% for semi-composite units. The next important cost element is wages which varies from 9.51% to 3.74% (Vide Table 4.08 of Chapter IV). But labour cost decreases as the rate of replacing labour by machines increases. It is so, because as the production processes integrate more, operations become more mechanised. Hence, overhead costs increase and the labour costs decrease. For all type of units, costs of other elements are insignificant in relation to the cost of materials and labour. The exception is the supervision costs which comprise 4.99% of the total sale on average. This cost also increases when the degree of mechanisation increases. Cost structure of the industry had been analysed according to size of the unit for understanding the economies of scale in the industry.

It is observed that proportions among the cost elements vary according to the size of the units. Small, medium and large units earn on average a profit margin of 1.53%, 1.11% and 0.87% of the total sales respectively (Vide Table 4.09 of Chapter IV). Material costs vary considerably among units of different size. On the contrary, for supervision cost and other overhead expenses, the trend is just reverse. Thus it appears that medium and large units, though spend more on material, they earn profit because they can reduce expenses on other elements of costs.

Costs have also been classified in two groups viz., variable costs and fixed costs for appraising the economies of scale the different types of units have enjoyed. It is noticed that fixed cost is the highest for composite units (i.e., 10.73% of total cost) whereas it is the lowest for semi-composite units (i.e., 6.21% of total cost) (Vide Table 4.10 of Chapter IV). On the other hand, fixed cost is the highest for small units (i.e., 10.05% of total cost) and it is the lowest for large size units (i.e., 6.03% of total cost) (Vide Table 4.11 of Chapter IV). This is so because, fixed costs are more or less same for all types of units. But when production increases such cost in percentage to total costs decreases sharply.

Regarding problems of raw materials, it has been revealed through statistical test that irrespective of the size of the units or production process employed by the units, the artisan feel the problem of irregular supply of basic raw material which
enhances the cost to a large extend. Therefore, units of different size can control neither cost nor supply of raw material (Section 4.10.1., Chapter-IV).

It appears that, it is profitable to run business as composite unit in large scale if working capital is not scarce. Financial problems relating to sources of finance, capital structure, adequacy of working capital are analysed in the Chapter V to find out whether there are problems in procuring capital in right proportion from right sources. With a view to having an idea on the issue, the balance sheets of individual units are analysed and required information has been collected. It is found that in the industry as a whole fixed capital constitutes 11.50% of total capital while working capital constitutes 88.50%. It is observed that for semi-composite units 19.91% of the total capital is invested in fixed capital and for composite units 62.33% of total capital is invested in fixed assets (Vide Table 5.03 of Chapter V). Thus it reveals that composite units are facing problems on working capital. Consequently, average turnover of such type of units is also less than that of other types. It is so because, the major portion of total capital is required to be invested in fixed assets i.e., in machinery and therefore, such units are left with inadequate resources for investment in working capital. The wide variation in total capital employed is also noticed in the different size of units. It is observed that medium units invest 7.94% of the total capital and large units invest 4.67% of the total capital in fixed capital. Average investment in working capital is the highest for large units (i.e., Rs.41550/-) and is the lowest for small units (i.e., Rs.15370/-) (Vide Table 5.04 of Chapter V). Therefore, small units are facing crisis of working capital. It has also been analysed from the angle of sources of financing and the rate of return on investment.

To have an idea about the pattern of investment in working capital, information on components of current assets (in percentage to total current assets) is analysed. It is revealed that inventories, i.e., raw materials, work-in-progress and finished goods, constitute on average 56.93% of the total current assets, whereas debts, i.e., credit given to customers, form 39.40% of the total current assets. Production process wise analysis shows that, in case of composite units, 93% of the current assets is blocked in inventories (Vide Table 5.05 of Chapter V). It is a fact that they cannot sell their product easily as they produce low quality product. Moreover, they are unable to extend credit facility, accordingly their turnover is less and consequently investment in inventory is proportionately high. Again cash and bank
balances constitute only 3.67% of the total current assets. It signifies that the units are facing liquidity problem.

In case of units of other sizes it has been noticed that for medium and large units sundry debtors account for the 42.89% and 42.32% of total current assets respectively, while for small units sundry debtors constitute 13.79% of total current assets. On the other hand inventory constitutes 83.37% of total current assets for small units, and it is only 52.26% of total current assets for medium units (Vide Table 5.06 of Chapter V). High proportion of sundry debtors indicates that medium and large units mainly sale on credit and their bargaining position is also weak.

On anylysis of different sources of finance it is revealed that on average 77.78% of the total capital come from internal sources. Further 18.77% of the total capital is financed by the suppliers of raw materials on short term credit, while 3.45% of total capital is procured from private money lender and/or banks. Simple units enjoy the highest credit facilities from suppliers i.e., 20.90% of total capital. On the other hand composite units do not enjoy credit facility from suppliers. The proportion of capital financed by way of loan is more or less same for all type of units (i.e., 4.47% to 1.64% of total capital) [Vide Table 5.07 of Chapter V]. Sharp variation is also noticed in the distribution of own capital and loan capital among different sizes of units. Analysis of profitability and return of capital have been carried out to pinpoint this problem.

On average the industry earns net profit of 1.49% on its turnover. It indicates a poor profitability picture of the industry. Production process wise analysis shows that simple units earn net profit at the rate of 1.04% of sales, whereas semi-composite and composite units earn profits at the rate of 2.12% and 3.75% respectively. As there is more mechanisation of production process the margin of net profit increases. [Vide Table 5.11 of chapter V]. In case of different sizes of units it is noticed that small units earn the highest rate of profit (i.e., 2.94%), while medium and large units earn almost same percentage of profit (i.e., 1.43% and 0.99%) respectively [vide Table 5.12 of Chapter V].

On average, P/V ratio is 8.48% for the industry. It is due to higher proportion of variable cost compared to sale price. Comparison among different types of units shows that P/V ratio is the highest (i.e., 14.49%), for composite units and is the
lowest for simple units (i.e., 8.03%) [Vide Table 5.15 of Chapter V]. It is due to the fact that variable costs of the composite units are comparatively low.

Size wise analysis of P/V ratio indicates that P/V ratio is the highest for small units, while it is the lowest for large units (i.e., 6.96%) [Vide Table 5.18 of Chapter V].

But to evaluate that whether composite type of production process is economical or not we have to examine the marketing aspects of the finished products. For composite units turnover is comparatively low. It may be due to marketing problem. This issue is discussed in chapter VI. But why do the artisan stay in the industry when position of the industry is so deplorable? Enquiry on the position on return on capital employed and return on own capital is carried out to explain the situation.

In the industry as a whole return on capital employed is only 12.77% and return on own capital is 12.69%. Hence the rate of return is not very satisfactory. The simple units earn a return of 9.74% on total capital employed and 9.53% on own capital. On the other hand, semi-composite and composite units earn a return of 16.94% and 20.57% on total capital employed respectively [Vide Table 5.19 of Chapter V].

Comparison among different sizes of units shows that small units earn the highest return both on total capital employed and own capital (i.e., 20.93% and 21% respectively). On the other hand large units earn the lowest return i.e., 9.12% on own capital [Vide Table 5.20. of Chapter V]. The main reasons for such variation is the non-availability of economies of scale on procurement of raw materials and production operations.

Thus return on capital employed is very poor for this industry as a whole. It is due to inadequacy of working capital, lower turnover of capital and inability to realise cost price through sales. It is very difficult for the units to take loan from outside, as their returns on investment is not sufficient to meet the interest on loan.

On average it is found that cost of own capital is only 12.34% and cost of borrowed capital is 0.43%. It is so, because the proportion of such capital is only 3% of total capital. But on average interest paid on loan capital is much higher than that of
return on investment, (i.e., 14.50%) [Vide Table 5.21 of Chapter V]. So it is not profitable for the units to borrow from outside since it will entail more loss.

The low rate of return on own capital (i.e., 12.34%) does not justify why the artisans are employed in this industry. To answer this question the return on own capital before imputing the cost of services provided by the owners has been analysed.

From empirical analysis, it is noticed that on average return on net worth is 74.46% if such notional costs are not considered as a part of expenses. The return on total capital employed is however marginally low i.e., 71.91%. Composite units earn the highest return on own capital i.e., 109.45% when imputed costs are not accounted for. On the other hand, simple units earn the lowest return i.e., 61.50% [Vide Table 5.22 of Chapter V]. This is due to the fact that owners of such units do not provide whole of their time and energy in such business. Accordingly, imputed cost of their services is lower than that in other types of units.

So it will not be beneficial to the artisans to quit the business since that will entail loss of their earnings as they will not be in a position to utilize their services in full. They may quit if they can employ themselves in a better way. But on enquiry it is revealed that it is not possible for all of the family members to secure jobs elsewhere since they are not familiar with other type of jobs.

Thus it is evident that the artisans have no other alternative but to accept poor return on capital only to engage themselves in the business. Moreover, they cannot enlarge their production capacity by borrowing, since they cannot earn enough return to meet the interest payable on loan capital. Among the different types of units, composite units earn the highest return, and they have higher P/V ratio. Now in order to analyzing the causes of poor profitability and lower return on capital employed, marketing aspects are enquired.

Our study on marketing has been designed to enquire whether variations in profit margin enjoyed by units with different scales of operation were due to fluctuations in selling price enjoyed by them or whether it is due to the variation in the terms of trade they can avail of.
On field survey it is revealed that the units depend mostly on dealers and local markets for disposal of their finished products. Some units sell directly to the consumers, whereas most of them sell in whole-sale market through middlemen and merchant suppliers. Co-operative societies are not serving as a channels of distribution. 78% of the respondents have mentioned that they sell their products to dealer/retailers and 22% of them replied that they sell their product directly to customer. [Vide Table 6.01 of Chapter VI].

Field survey reveals that 26% of the units surveyed sell their products in cash, while 66% of the same sell their products only on credit. [Vide Table 6.04 of Chapter VI]. Terms of credit vary from 15 days to 30 days. In few cases the credit period may extend to 45 to 60 days.

Regarding price fixation of the finished products, some units have responded that they fix prices on the basis of their notion about how the market will accept and on the basis of prices offered by dealers. As many as 74% of the units reported that they have to accept the price fixed by dealers during slack season, whereas 44% of the respondents have mentioned that they can fix price during peak season only [Vide Table 6.05 of Chapter VI]. Peak season for this industry runs from September to February i.e., festive and harvest seasons.

Enquiries have been made on the pattern of selling price in different channels of distribution. It is revealed that prices in wholesale trade and retail trade vary in between 10% to 25% for same quality of products [vide Table 6.06 of Chapter VI]. But such price differentiation has no major bearing on total profitability because it is not possible to sale all the output through one single channel.

Usually bad debts are considered as selling costs. But businessmen accept it with a view to achieve higher volume of sales. But on enquiry it is revealed that only a few units have suffered bad debts (Section 6.09, Chapter VI).

Hence, marketing aspects have little impact on profitability. On the contrary, market is more or less controlled by big merchants of Calcutta. Units are to sell on credit on wholesale market at a price fixed by such merchant. Accordingly, it is very difficult to identify causes of variation in profitability of different type of units only on the basis marketing aspects.
7.03 SUGGESTIONS AND RECOMMENDATIONS

In order to solve some of the major problems of conch-shell industry many changes are necessary. Some of them are relate to micro level activities and some to those at macro level. At macro level, structural changes are required. Structural changes need action from administrative and local government machinery. They may be more time consuming process. Qualitative changes are also required at macro level. Qualitative changes, includes training, change of attitude, campaign by office bearer of local governments to improve quality of product, diversification of products, record keeping and cost analysis. Many of these changes are inter-related.

On the basis of empirical study following suggestions are made under two categories: (i) those requiring structural changes and (ii) those are of general type.

7.03.1 Structural Changes

1. One of the major problems identified is shortage of capital, under this situation, adoption of modern techniques with integration of all operations is not possible. To overcome this problem, small units/composite units may be brought under the umbrella of co-operative unit to derive the benefits of mechanisation and integration of operations. This will also increase the bargaining power of the artisans and mitigate many of the marketing problems.

2. Another major problem of the industry is supply of main raw material i.e., intact conch-shells. Steady supply of raw material at reasonable price should be ensured through government agencies. This will not only reduce the cost of production but will also save the artisans from the mercy of big suppliers of raw material to a great extent.

3. Due to shortage of liquid money artisans could not procure raw material from Government agencies as such agencies sold the same as and when intact conch-shells are procured from Tamilnadu State Government. Adequate credit facilities with instalment payments arrangement are to be provided to the units so that they may purchase main raw material from the Government agencies. Adequate institutional finance at a low cost with lesser procedural
formalities should be arranged to the artisans for the purchase of machineries and equipment and for adoption of improved techniques of production. This will lead to increase in productivity and hence reduction in cost. This will improve the profitability of the units. Different agencies engaged in improvement in handicraft sector should come forward to help the artisans in this respect.

4. The channels of distribution of conch-shell products should be shortened so that artisans’ share of profit may increase. For achieving this arrangement should be made by the government agencies to procure finished products directly from the units and to sell them directly to the consumers at local level as well as outside the state of West Bengal.

5. Good transportation system are to be provided to the artisans not only for reducing loss due to breakage etc. during transit but also for getting fair prices for their finished products.

6. The main difficulty in collecting and allocating costs with a view to determining proper cost of production is that the artisans do not maintain proper records due to their low level of education and lack of consciousness. In order to mitigate this problems, benefits of adult literacy and basic education programmes should be extended to the artisans.

7.03.2 General Suggestions and Recommendations

1. West Bengal Handicraft Development Corporation Ltd. should prepare a list of artisans for selection of artisans who will accompany their officials during procurement of raw conch-shells from south Indian states. The panel of artisans prepared for this purpose should properly represent the artisans from different categories of units.

2. Artisans should be made more conscious as to the latest trends and movements in production operations, consumer preferences etc. so that they can cope with the change in the handicraft sector. This can be ensured through providing training, holding handicraft fair, initiating mass campaign etc. by the appropriate authorities.
3. Government authorities including local government should come forward for ensuring adequate and proper distribution of raw materials, so that the artisan can get them in time at a reasonable cost. In rendering efficient services to the artisans co-ordination between the authority of WBHDC, District Industry Centre(DIC), Zilla Parishad and the local Government should be ensured.

4. Another important aspect is to introduce the system of keeping records of cost and profitability in a simple way. The local Governments and DIC authorities have to impress upon them that such records are to be maintained and cost are to be analysed for their own interests.

5. Another major problem is the demand constraint. Therefore new items with some novelty are to be innovated. Product diversification should also be considered.

6. Better entrepreneurial skills are to be developed among the artisans. For that benefits of integration of production operations and mechanisation of production system should be encouraged. Training-cum-production centres are to be established in each major district.

If the above suggestion are implemented, conch-shell industry will improve not only in selected areas of West Bengal, but also it will spread over in other areas of West Bengal.

7.04 LIMITATIONS OF THE STUDY

This study is not, however, free from some inherent limitations. Some of them are mentioned below.

1. This study relates to only one year i.e., Calendar year 1998. Since the research work is mostly based on field survey, it is difficult to take a good number of years as the period of study. Moreover artisans are not ready to supply data relating to earlier years.

2. The survey is based on the study of only 50 units. However, samples were drawn in such a manner so that it would give a representative character of the population.
3. The reliability of the research finding is dependent, inter alia, on the method of sampling adopted and the statistical tests used to verify the accuracy of the sample. We have used stratified random sampling, ANNOVA test and Chi-square test. But other parametric tests cannot be conducted because of the absence of population parameters.

4. Cost and revenue data were collected from the artisans depending on their personal estimates because no such data are readily available from published source. Moreover, artisans are not interested in disclosing correct data pertaining to costs, revenues and assets structure.

5. The study is confined only to six selected pockets of West Bengal because it is almost impossible to cover all the areas producing conch-shell products in West Bengal due to cost and financial constraints.

In spite of above limitations the present study represent humble attempt to enquire the financial problem of the artisans of conch-shell handicraft industry in selected areas of West Bengal in particular and that of West Bengal in general.

7.05 SUGGESTIONS FOR FUTURE RESEARCH

In this section, some thrust areas for future research have been focussed.

a] The present study is confined only to six selected pockets of four districts of West Bengal. A detailed study into the cost and financial aspects covering major districts of West Bengal might through new light which would be helpful not only to the artisans but also to the society at large. Such study, however, needs institutional support for necessary resources.

b] Marketing of finished products plays a vital role in the development of the conch-shell handicraft. Efficient marketing could ensure better profitability and liquidity of artisan firms. The present work could not cover various issues relating to marketing of conch-shell products including consumer preference, scope of export and other use of products in foreign market due to time and resource constraints. Such a study in this crucial area will be helpful to the artisans as well as to the policy-makers.
With a view to deriving the benefits of large scale production and marketing, small units are to be brought into the umbrella of co-operative units. A detailed study of performance of co-operative units registered for this industry and problems faced as well as future prospects of co-operative organisations is warranted.

7.06 CONCLUSION

It appears that composite units earn the highest rate of profits, even though they are forced to sell their product at market determined prices. It is so, because they have the scope of saving costs on all operations since all the operations are carried in house through family labour. They also earn profits by carrying out mechanised operations for other units when their machineries remain idle. But volume of sales of the composite units are low as they face shortage of working capital. So it appears to be better to establish composite unit if problem of working capital can be overcome. Therefore, they may form co-operatives to carry on business at a large scale, so that the fruits of integration of production processes can be enjoyed and the industry can survive and prosper.