### Chapter 7

#### SUMMARY OF FINDINGS AND RECOMMENDATION

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Chapter-7

SUMMARY OF FINDINGS AND RECOMMENDATION

The Kerala Khadi and Village Industries Board has been set up in the year 1957 as the nodal agent for executing the programmes of Khadi and Village Industries Commission in the State of Kerala. The functions of the Board comprise organizing, developing and promoting Khadi and Village Industries in the State with a view to providing more employment opportunities in the rural areas.

The Board at present as per the regulations mooted by KVIC directs Khadi and village industries units to approach banks for fund for their initiation and for undertaking developmental schemes. All schemes relating to KVI sector involve grants and subsidies, the amounts required for which are placed at the disposal of respective State KVI Board by the KVIC. The State Khadi and Village Industries Board is responsible for the disbursal of such grants and subsidies among KVI units. With the view to decentralizing its activities, Kerala Khadi and Village Board has opened its project offices in all the fourteen districts of Kerala. This makes it possible for the Board to render its services as near to KVI units as possible.

Statement of the Problem

The Annual Reports of Kerala Khadi and Village Industries Board present conflicting information regarding the performance of the KVI
sector. The sector is reported to be making yearly increase in production, sales and employment. But details about the units financed as per the Reports show that a large percentage of them have become defunct. The preliminary survey conducted by the researcher indicates that the KVI units in the State are faced with severe problems in respect of raw materials, labour, finance, technology, marketing etc. The units express difficulties in dealing with Khadi and Village Industries Board for availing various types of assistance. In this context, it has been proposed to evaluate the working of the Board and conduct a detailed study on the problems faced by village industries units in the State. The study is titled “Role of Kerala Khadi and Village Industries Board in the Development of Khadi and Village Industries units in Kerala”.

**Objectives:**

The major objectives of the study are:-

1. to trace the organizational structure of Kerala Khadi and Village Industries Board and the origin and growth of KVI sector in Kerala,

2. to examine the problems faced by the village industries in respect of raw materials, finance, labour and marketing strategies,

3. to analyze the socio-economic conditions of the artisans in village industries and finally,
4. to evaluate the role played by Kerala Khadi and Village Industries Board in promotion of village industries units as well as their successful functioning.

**Hypotheses:-**

The following hypotheses have been formulated on the basis of the objectives of the study.

1. Village industries units are still faced with constraints such as raw material shortage, lack of technological upgradation, insufficient labour and inadequate finance.

2. Strategies adopted for marketing the village industries products are defective.

3. Village industries have not contributed to the socio-economic progress of the artisans.

4. Various schemes implemented by the Kerala Khadi and Village Industries Board do not reach the beneficiaries and the efforts to tackle the constraints of the units by the Board are not successful.

**Methodology**

The study is a descriptive one. It makes use of both primary and secondary data. The primary data was collected from selected village industries units and artisans. Secondary data were collected from Annual
Reports and other publications of the Khadi and Village Industries Commission and Kerala Khadi and Village Industries Board, various issues of Economic Review of the State Planning Board, Five Year Plan Documents of Central and State Governments, RBI Hand Book on All India Statistics, newspaper reports, books, and periodicals. In addition to the above, elaborate discussions with the officials of the Khadi and Village Industries have been held.

Khadi and Village Industries Commission has categorized the industries under its purview into seven major groups under three forms of organizations namely co-operative societies, voluntary organization (registered units) and individual units. Kerala Khadi and Village Industries Board is engaged in promoting all the three forms of organization and based on number of units registered under the Board, seventy percent of the units come under Mineral, Forest and Agro based Food industries (Records of KKVIB). Moreover, 55.0 per cent of these units are in the districts of Kollam, Ernakulam and Kozhikode. For intensive study, these three districts were selected purposively. Likewise, village pottery from mineral based industry, cottage match from forest based industry and bee keeping from agro based food industry are the sample industries based on the criterion of number of units registered. Further, units were selected from individual and society form of organization by convenient sampling procedure. Thus, multistage systematic sampling has been used to select the sample units.
According to the publications of the Board, in the above selected three districts there are 917 village pottery, 91 cottage match, and 1,159 beekeeping units. Out of which 89 village pottery, 16 cottage match and 111 beekeeping units were selected conveniently for detailed study. Thus, the total number of units forming the sample is 216. The units selected were engaged both in production and marketing of products. Besides, a total of 258 artisans consisting of 103 from village pottery, 61 from cottage match and 94 from beekeeping industries were selected conveniently and interviewed to ascertain their socio-economic conditions. Thus, the total number respondents comes to 474 (216 units and 258 artisans).

**Major findings of the study are:-**

**7.1 Growth and Profile of Khadi and Village Industries in Kerala**

1. Different schemes of assistance were in operation for different periods for the promotion of Khadi and village industries units. The schemes were formulated by KVIC and implemented through the State Khadi and Village Industries Board. These schemes were Pattern of Assistance scheme from 1957-1970, Consortium Bank Credit Scheme from 1971-1997, Rural Employment Generation Programme from 1998 to 2007 and Prime Ministers’ Employment Generation Programme from 2007 onwards. An enquiry has been held as to the period of formation of sample units to find out during which of these periods of assistance formation of sample units took
place in large numbers. It has been observed that maximum i.e., 53.0 per cent of registration of units took place during 1971-97 when Consortium Bank Credit Scheme was in operation. It was followed by the period 1957-1970, when pattern of assistance scheme was being implemented i.e., 19.0 per cent. The number of units registered during the subsequent schemes was meagre at 20.0 per cent during 1998-2007 and only 8.0 per cent of the sample from 2007 onwards.

2. The enquiry also pertains to the age of entrepreneurs owning and managing individual units as well as directors who are in control of society form of organizations. 50.0 per cent of these entrepreneurs and directors are found to be above 45 years of age and only 19.0 per cent are youth below 35 years. Besides 31.0 per cent belong to middle age i.e., between 35 years and 45 years of age. Half the percentage of entrepreneurs and directors of societies below 45 years of age indicates that there is hesitation on the part of youngsters to take up KVI units as a source of living.

3. The level of education possessed by above such entrepreneurs and directors is low. 64.0 per cent have only primary level education while 25.0 per cent are those who studied up to secondary level. Only 11.0 per cent possess educational qualification of SSLC and above. Low level of education of these entrepreneurs and the predominance of KVI sector by aged people stand in the way of
adoption of modern methods of production and management techniques.

4. Of the various factors that determine the localization of village industries, the most important one for village pottery is the existence of clusters of artisans having traditional skill. The factor that plays the most dominant role in localization of cottage match and bee keeping industries is proximity to sources of raw materials.

7.2 Raw Material Constraints

1. The place from where units procure raw materials is ascertained with a view to finding out whether they are easily accessible or not. Almost 81.0 per cent of the units are found purchasing raw materials from within the districts where they are located while 19.0 per cent of the units have reported that they acquire them from outside the district incurring high transportation cost.

2. The study enquires into the role of intermediaries in regard to supply of materials to village industries units. It is observed that 79.0 per cent of the units in the sample used to procure raw materials through intermediaries. Units making direct procurement from supply sources as well as KVIB sources are significantly low as 15.0 per cent and 6.0 per cent respectively. Dependence of vast majority of units on
intermediaries for materials leads to an increase in cost of production since their profit margins are high.

3. The units ranked problems regarding procurement of raw materials in the following order i) Financial constraints ii) Seasonal availability and iii) Lack of storage facilities. Financial constraints prevent units from making bulk purchases as well as exploiting their seasonal availability. Inadequate finance prompts units to buy materials on credit under which prices are high. Lack of storage facilities also compels units to purchase materials in small quantities leading to loss of economy in bulk buying.

4. Rising trends in prices of raw materials are found affecting the profitability of village industries units. During the period of study the increases in prices of raw materials have been as high as 108.0 per cent for pottery units, 103.0 per cent for cottage match and 114.0 per cent for bee keeping. The units expressed the view that this steep increase in the cost cannot be completely passed on to the consumers in the form of higher prices of finished goods as it will lead to decrease in demand.

7.3 Production Constraints

1. Although there are improvements in methods of production in village industries sector, majority of units still follow traditional methods. The finding of the survey in this connection is that only 11.0 per cent
of pottery units, 6.0 per cent of cottage match units and 9.0 per cent of bee keeping units have switched over to modern methods.

2. Regarding the reasons for non adoption of modern methods, lack of finance is assigned top position by all the industries followed by restriction on mechanization by the Board on the ground of curtailing employment. While, not being aware of improved methods is ranked third by village pottery and bee keeping units, non availability of skilled workers stands as the third factor in the case of cottage match.

3. A very high percentage of the sample units i.e., 89.0 percent have stated that there are fluctuations in production. Only 11.0 per cent have reported that production is steady. Shortage of funds, increase in cost of production and shortage of labour are the main reasons attributed to this.

7.4 Labour Constraints

1. Shortage of labour exists in village industries sector despite chronic unemployment among the youth in Kerala. It means that this field offers hardly any attraction for the unemployed people of the State.

2. Majority i.e., 82.0 per cent of the units express the view that shortage of labour is because of better pay and working conditions in alternative occupations. There is reluctance even on the part of traditional artisans to continue in these occupations due to meagre earnings.
3. A comparison of the wages for allied activities in KVI sector and that of alternative occupations shows that there is a substantial difference. The wages for allied activities is less by ₹100.

4. A serious problem noted among artisans associated with these industries is that they are not employed throughout the year. Only 14.0 per cent of the units are able to provide work for more than 250 days in a year. This indicates that more than 86.0 per cent of artisans have employment for less than 250 days in a year.

7.5 Financial Constraints

1. For financial assistance from banks, the units have to prepare the project report and submit it first to KKVIB. The Board examines the following matters: i) The location of the proposed unit is in conformity with the norms of KVIC i.e., rural area stipulation ii) Whether the proposed industry belongs to any of the industries recognized by KVIC and iii) The maximum project cost does not exceed the amount prescribed for REGP and PMEGP schemes. If satisfied, the loan application is forwarded to the bank which then verifies the viability of the project and if convinced the loan is sanctioned. Thus, the units have the double task of satisfying the officials of the Board as well as the bank.

2. The units report that there is time lag between lodging of applications for loan and sanctioning them. They allege that the time lag extends
even beyond three months. They have to visit the premises of the Board as well as the banks several times to answer their queries and get the loan sanctioned.

3. There is gap between loan amount applied and the amount sanctioned. 72.0 per cent of units surveyed report that they have been able to secure only 50-75 per cent of project cost as loan from banks.

4. In order to cover up the deficiency these units are found relying on non-institutional source of finance which is highly costly.

5. The percentage of units which make regular repayment is just 17.0 per cent and the rest are defaulters. Reasons put forward for default are uneasy installments, fluctuations in output, lack of proper marketing facilities, lack of sufficient profit, unexpected family expenses etc.

7.6 Marketing Constraints

1. Direct sale by the units to customers is only 18.0 per cent of the total output. Dependence on other retail outlets and middle men is too high i.e., 66.0 per cent. This results in the realization of lower prices for finished goods to production units.

2. Almost 86.0 per cent of sales are made on credit and there is delay in realizing payment. Majority of units report that sale proceeds in the case of credit sales are collected only after three months causing them working capital problems.
3. As to the trends in sales, the percentage of units which report them as increasing is extremely small i.e., 5.0 per cent. Majority of units report the trends as highly fluctuating or decreasing.

4. The constraints in marketing are identified as lack of marketing experience, lack of advertisement, ignorance of potential markets, difficulty in collecting sales proceeds, absence of quality marking, weak bargaining power and lack of after sale services.

7.7 Socio-Economic Conditions of Artisans

1. 68.0 per cent of artisans are women. Female participation is high in village industries sector due to its special characteristics like less physical exertion and nearness to home.

2. The survey regarding the age group of artisans shows that majority i.e., 49.0 per cent of the artisans are above 45 years of age. Only 14.0 per cent are below 35 years and 37.0 percent belong to the middle age group of 35 to 45 years. The fact that only 14.0 per cent of the workforce is youth indicates that there is reluctance on their part to take up village industries as a source of livelihood.

3. 54.0 per cent of the artisans in the sample possess only primary education. The extent to which artisans are able to shift from primitive methods of production to modern techniques would largely depend on the extent of formal and informal education they receive.
Low level of education of artisans is an impediment to the modernization efforts of Board.

4. 71.0 per cent of artisans have medium sized families with the number of members extending beyond five and a vast majority 65.0 per cent of artisans fall in the single income group category.

5. Majority of artisans under the study i.e., 49.0 per cent have more than 10 years of experience.

6. 79.0 per cent of the respondents earn an average annual income of less than fifty thousand, 19.0 per cent between fifty thousand and seventy five thousand and only 2.0 per cent above seventy five thousand. Considering the strain and drudgery involved in the operations of village industries this income is too small.

7. For majority (80.0) of the workers wages from village industries are the only source of income.

8. Most of the artisans are not satisfied with the working conditions, welfare facilities and future prospects. The traditional artisans are not in favour of recommending this job to their wards and this will result in gradual decline of traditional industries in the State.

9. Regarding the nature of ownership of house property, majority i.e., 71.0 per cent of the artisans stay in rented houses. Only, 29.0 per cent have their own house.
10. Only a small percentage has the habit of savings. Even those who save, do it in small amounts and are reported to be making them in unorganized sectors like chitties.

11. Majority i.e., 60.0 per cent of artisans have mentioned that they have taken up the present occupation as a source of living due to their inability to obtain other jobs. Only 40.0 per cent have taken up this job as a matter of tradition.

12. 91.0 per cent of the artisans expressed the view that they have no inclination to stick to their present jobs because of poor wages and uncertainty regarding the survival of these occupations.

13. Trade unionism is not strong in village industries sector. Majority of the artisans do not have any involvement in trade union activities.

7.8 Role of the Board in the Development of Village Industries

Schemes for the development of KVI sector like improvement of quality of products, diversification into new products, better packaging of products, replacement of outdated tools and equipments, training of artisans, developing clusters to make the industries competitive etc, are mooted by the All India organization KVIC. The State Khadi and Village Industries Board is responsible for implementation of these schemes among the KVI units. The units have to borrow from banks or adjust from their own resources the funds needed for adoption of these schemes. But each scheme
involves an element of subsidy which is routed by the Commission through State Khadi and Village Industries Board to the units. Hence popularization of schemes and ensuring their widespread coverage among the units are the responsibilities of State Khadi and Village Industries Board.

1. Margin money is ‘one time’ assistance provided by the Commission to the units. 176 units under the study are eligible for this assistance. 88.0 per cent of the respondents reported delay in getting this assistance. The reason attributed is the delay from the Board in releasing the fund to the concerned bank.

2. Assistance in the form of grant is extended by the Board in order to improve the quality of village industries products to diversify into new products, to introduce new designs, to adopt better packaging of products, to improve the marketability of products and to replace outdated tools and equipments and to develop clusters. These schemes are titled i) Product Development and Design Intervention Packaging Scheme and ii) Scheme of Fund for Regeneration of Traditional Industries. The utilization of percentages of these two schemes by the units are:- PRODIP - 9.0 per cent, SRUFTI - 19.0 per cent.

3. The Board conducts training at field level by deputing experts to the field in order to impart knowledge for skill development and capacity building and attain larger productivity, free of cost. Training is also given to entrepreneurs in order to inculcate in them entrepreneurial
attributes. The various training schemes and percentage of artisans who have attended them are: Job related training - 28.0 per cent, Technical Seminars and Workshops - 11.0 per cent and Training to improve Marketing Skills - 12.0 per cent.

4. As to the causes for poor participation in training schemes, 67.0 per cent of have expressed lack of information about such training programmes, 24.0 per cent have reported lack of confidence in trainers and the remaining 9.0 per cent complained lack of any monetary benefit like stipends.

5. The Commission with the help of Directorate of Science and Technology has developed regional testing laboratory where the units can test the quality of raw materials used as well as the finished product made. The units are issued a certificate by the laboratory if raw materials used and finished products made are of good quality. The certificate is valid for a period of 2 years. The Board offers subsidy on fees paid by the units for availing the services of these laboratories. Only 16.0 per cent of the sample units are observed to have utilized the scheme.

6. The Board encourages by extending subsidies to KVI units to set up in-house research and development departments with the objectives of increasing productivity, improving quality, efficient use of raw materials and reduction of human drudgery. Only 30.0 per cent of units are found to have set up this facility.
7. The number of pottery units which participated in cluster formation and building Common Facility Centre is only six. For bee keeping and cottage match clusters have not been formed anywhere in Kerala by the units by availing Board’s assistance.

8. Special schemes of financial assistance in the form of subsidies are offered by the Board to the village pottery in order to help them increase their production and productivity. These programmes and percentage of units which have utilized each of them are: - Scheme to replace Potter’s Wheel - 18.0 per cent, Scheme for replacement of old Pug mill - 22.0 per cent. Scheme for replacement of Tool kit - 35.0 per cent and Modern kiln scheme - 5.0 per cent.

9. For increasing productivity of cottage match industry as well as its smooth functioning throughout the year Board offers financial assistance in the form of subsidy to the extent of 10.0 per cent of the cost to units to acquire low speed log peelers and splint chopping machines, semi-automatic drying chambers for splints and semi-mechanized dipping table. The percentage of utilization by units is 25.0 per cent, 19.0 per cent and 13.0 respectively of the schemes.

10. For the development of bee keeping industry the Board supplies quality bee boxes with colony and fixed wooden frames, honey extractor with filters to extract honey more scientifically and smoke generating device to woo away bees at the time of extraction of
honey at subsidized rates. The percentages of units which have acquired these equipments are 20.0 per cent, 13.0 per cent and 11.0 per cent respectively.

11. As part of marketing strategy and publicity measure the Board has been conducting exhibitions and melas at the State and District level. The Board encourages village industries units to participate in these exhibitions and melas by extending financial assistance towards transportation of goods, publicity and premises hiring. 61.0 per cent of the units have utilized this assistance.

12. The Board also supports village industries units for participation in international trade fairs being held aboard. The financial assistance is in the form of reimbursement of 75.0 per cent of airfare and 50.0 per cent of stall rent for general category and 100.0 per cent of airfare and stall rent for special category beneficiary. Only 7.0 per cent of the units in the sample have utilized this scheme.

13. Various sales promotion schemes implemented by the Board and their percentage of utilization by the units are as follows i) setting up own sales outlets - 15.0 per cent ii) renovation or expansion of existing outlets - 26.0 per cent iii) purchase of vans to be used as mobile sales outlet - nil iv) printing leaflets, product catalogue, brochure and handouts - 30.0 per cent and v) Bar coding of products - 39.0 per cent.
To sum up, the study confirms the existence of problems in KVI sector in respect of materials, labour, finance and marketing. This sector does not attract the youth of the State because of poor earnings and better pay and working conditions in alternative sectors. Poor earnings, medium or large size of families, low education, indebtedness, liquor consumption among the artisans etc. are indicators that there is no improvement in their socio-economic conditions. Various schemes are formulated by KVIC to improve methods of production and productivity, for upgradation of skill of artisans, product diversification, quality packaging etc. Subsidies are offered to the units by the Commission through KKVIB in Kerala to induce them to make use of these schemes. Popularization of these schemes among KVI units and making them adopt these schemes are the complete responsibilities of State KKVIB. Meagre percentages of utilization of schemes by the units in Kerala indicate that KKVIB has not been successful in their widespread coverage. The study proves all the hypotheses true.

7.9 Suggestions

1. In order to minimize the delay in sanctioning loans, the Board should adhere to minimum time frame to pass the proposals.

2. Various schemes of assistance of the Board should be given wide publicity and this responsibility must be entrusted to the respective project offices.
3. A check list of entire information and documents required by various agencies should be supplied at the KVI office to prospective entrepreneurs so that they can minimize the difficulties in going through the procedures involved in starting the projects.

4. Rural marketing centres which can act as retail outlets for KVI produce should be created by the State Governments.

5. Product-wise inventory should be published and updated regularly. In the initial stage the central website with link to individual clusters will serve as a facilitator for knowing about the products and placing orders for the same.

6. It would be better to have two implementing agencies one to attend to the needs of Khadi and the other for Village industries.

7. Labour under NREGP should be given training in skills required for village industries by the Government through the respective Boards so that the labour shortage can be solved.

8. E-application tracking should be extended to KVI sector and this will lead to better transparency, information and better service to enterprising entrepreneurs.

9. The Board should encourage units to make use of solar power in village industries. This will result cost reduction to a great extent.
The Board should conduct research on the feasible methods of adopting this technology.

10. Artisans welfare Scheme (insurance and pension) which is presently made available only for Khadi artisans by the Commission should be extended to artisans in village industries.

11. The Board should study the current market trends for different village industries products and pass on the information on to the artisans.

12. The Publicity department of the Board should take up the responsibility of promotional measures including advertising the products in various media. Due to lack of publicity the KVI products are not getting sufficient market even though the KVI products are pure hygienic, ecofriendly and conforming to ISI standards.

13. As part of quality assurance ‘Design Engravement Mechanism’ similar to ‘Khadi logo’ should be developed for village industries products. Similar products made by all units under KVIB should be branded with a common brand name and trade mark.

14. The Government must purchase all the stores required by them from village industries and the price differentials should be allowed to them over the products of large scale industry. Units must be encouraged to register under Government Purchase Scheme (GP) of National Small Industries Corporation(NSIC) for this purpose.
15. The Board with the help of experts must provide training in various fields including management of day to day affairs of the unit. Some sort of monetary benefits like stipends should be given to the artisans who attend these programmes regularly.

16. Transport subsidy should be allowed for the raw materials brought into production and for finished products taken to market.

17. The project cost ceiling may be raised suitably for bigger projects. In addition to margin money investment subsidy on fixed assets must also be provided.

18. The showrooms of the Board are unattractive and are not making any appeal to the public. The showroom display should be made more attractive at par with other retail outlets.

19. The Board must open raw material-cum-spare parts bank in every district and must ensure availability of quality raw materials throughout.

20. The Board must take necessary steps to make one-time financial assistance ‘Nursing Fund’ for the revival of sick units.

21. The Board should at its cost appoint part time salesmen for door to door selling. This will create better awareness and will help in securing fair price for village industries products.
22. The rebate scheme must be extended to village industries products also. Gift coupons should be introduced especially during festival season.

23. Export markets for Khadi and village industry products should be explored by the Board. This market should be identified and products should be modified according to the specific market demand and packed to attract foreign consumers.

24. More sales outlets must be planned in tourist areas and linkages must be developed with Tourism Promotion Council.
TOPICS FOR FUTURE RESEARCH

1) Organizational Innovation for KVI units such as co-operative societies, Registered Institutions and Individuals.

2) A Comparison of Performance of Khadi and Village Industries between Kerala and Tamil Nadu.