Chapter 1

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INTRODUCTION

Handicraft is an important traditional occupation of India providing employment to a large number of persons and earning valuable foreign exchange through exports. About 4 million people are stated to be dependent on it for livelihood. Handicraft products of India are being mainly exported to United Kingdom, U.S.A, Germany, Japan, France, Canada, Australia, Italy, East European and Latin American countries. For the year 2004-05, the export earnings from handicrafts came to Rs. 4204 crores whereas the total exports from India were for Rs. 361879 crores.

The handicraft industry in India has a history of several centuries. It thrived well till the arrival of British people to India. The establishment of alien rule and the consequent aboliton of feudal lords from whom bulk of the demand for handicraft came, resulted in the decline of this craft. The policy of the British Government encouraging production of utility articles in place of handicrafts caused further damage to this traditional occupation. The industry had been ailing throughout the British rule. The production of utility articles with the help of machines and development of cheap means of transport under the British rule affected other cottage crafts also like handloom, coir, khadi and other village industries.
On attainment of independence in 1947, the National Government recognised the importance of traditional industries in India such as handloom, coir, handicrafts, khadi and village industries etc. in the economy and started taking steps for their revival. The steps comprised arrangements for the supply of raw materials, provision of concessional finance, upgradation of skill of artisans through training, modernisation of tools and setting up marketing centres. In addition, the Government has set up various All - India Boards to study their problems and recommend to it the measures to be taken to solve these problems.

From Second Five Year Plan onwards, in response to Karve Committee recommendations, the All India Boards started encouraging artisans in various crafts to form co-operatives instead of working on individual basis. Industrial co-operatives are recognised as more efficient form of organisation than cottage type, since they can make bulk purchase, install modern tools and equipments, procure institutional finance and adopt modern marketing techniques. With the growth in the number of industrial co-operatives, the All India Boards recommended the State Governments to form federations of co-operative societies in their respective traditional industries for the purpose of maximising the scale of operations by making bulk purchase of materials, modernising production methods and doing efficient marketing.

The State of Kerala, situated on the south-western tip of India, has got a rich tradition in handicrafts. It is stated that there are thirty two different crafts in Kerala and of them, wood carvings, ivory carvings, metal crafts,
mats etc. are prominent ones. About 98,000 people are reported to be dependent on this craft for their livelihood. The formation of industrial co-operatives in handicrafts by artisans began to take place from Second Five Year Plan onwards as in the other parts of the country. In order to ensure the efficient functioning of handicraft co-operatives, the Government of Kerala set up Kerala State Handicraft Apex Society in the year 1964.

Statement of the Problem

There are 150 industrial co-operatives in the handicraft sector in Kerala as on 31.3.2005. Out of the 150 societies, 103 are members of the Kerala State Handicrafts Apex Society. The Apex Society is expected to operate as an organisation for the healthy functioning of the handicraft co-operatives. It has to help co-operatives by supplying raw materials and modern tools, upgrading the skill of artisans through training, providing finance, ensuring efficient management through guidance and procuring finished products to be sold through its own retail outlets. The preliminary survey conducted, showed that in the early years of inception, the society used to concentrate on raw material supply, training of artisans, provision of managerial guidance and marketing their finished products. By decrease, the Apex Society began to stop its assistance to primary societies one by one. It is reported by the co-operatives that from the year 1999 onwards, its service is limited only to procuring their finished products and marketing them. Even in the field of marketing, the primaries have to wait for one year to obtain payment for the goods supplied. As a result, they find it difficult to pay timely remuneration to artisans and ensure prompt repayment of advances.
taken from co-operative banks. It is also reported that there is a drastic decline in the number of artisans associated with them. The societies covered by the preliminary survey, were unanimous that the present way of functioning of Apex Society is not at all helpful to them in solving their problems and ensuring healthy operation. According to the reports of the officials of the Apex Society, out of the 103 societies affiliated to it, only 30 are working and the rest are defunct. Thus the percentage of dormancy is as high as 70. Hence, it has been proposed to conduct a detailed study on the working of the Apex Society and evaluate its role in the functioning of primary co-operatives. The problems faced by primary handicraft societies in respect of raw materials, production methods, finance, management and marketing have also been included in the study. The study has been titled as “A Study on the Impact of the Kerala State Handicraft Apex Co-operative Society on the Working of Handicraft Co-operatives in Kerala.”

**Objectives**

The Objectives of the study are:

(i) to examine the problems faced by the industrial co-operatives in raw materials, finance, modernisation of production methods, management and marketing;

(ii) to evaluate the impact of the working of Apex Society on primary societies;
(iii) to enquire into the present capacity of the Apex Society in terms of financial, managerial and marketing attributes as an organisation for the protection and development of handicraft co-operatives and

(iv) to make suitable suggestions and recommendations based on the findings of the study.

Hypothesis

Based on the problems faced by handicraft primary societies and Apex Society the following hypothesis are formulated:

(i) Industrial co-operatives in handicrafts are faced with problems in raw-materials, finance, skill upgradation, management and marketing, and these problems account for the high percentage of dormancy of handicraft co-operatives.

(ii) The founders expected the Apex Society to help primaries in respect of raw materials, finance, skill improvement, modernisation of tools, proper management and marketing, but the working of the Apex Society is below the expectation and hence primary societies are not benefitted.

(iii) The marketing strategy of the Apex Society is defective leading to accumulation of stock and cash difficulties.

(iv) Apex Society is presently acting only as an agency for implementing policies and programmes of Central and State Governments and it fails to function as a successful commercial organisation.
(v) Co-operativisation has not helped the artisans to improve their earnings and living conditions.

**Research Methodology**

The study is a descriptive one. It makes use of both primary data and secondary data.

Primary data are collected through separate structured schedules both from primary societies and the Apex Society. The schedule for primary handicraft societies has been revised on the basis of the pilot study conducted on three units. The list of handicraft co-operatives affiliated to Apex Society is obtained from Kerala State Handicraft Apex Society. Although, the list contains 103 societies, the officials reported that only 30 are functioning and all these 30 working societies have been covered by the survey. Hence Census method is followed for data collection.

Secondary data for the study have been collected from the Annual Reports of the Apex Society and Handicraft Co-operatives, various issues of Economic Review of the State Planning Board, Five Year Plan Documents of Central and State Governments, Newspaper Reports and the Government publications.

In addition to the above, elaborate discussions with officials of DI & C, State Directorate of Industries and Development Commissioner of Handicrafts have been held.
Tools of Analysis

The study is a descriptive one. The tools such as average, percentage and ratios are used.

Limitations

Primary data are collected only from handicraft societies affiliated to Apex Society. The efforts of the researcher to contact the officials associated with the defunct societies did not succeed. The Annual Reports of the Apex Society do not contain information like budgeted sales as well as item wise expenditure incurred.

Period of Study

The data for the study is collected for a period of six years from 1999-2000 to 2004-2005.

Chapter Scheme

The study is divided into seven chapters:

Chapter I deals with introduction of the topic, statement of the problem, objectives, hypotheses, tools of analysis, period of study, limitations, methodology and chapterisation.

Chapter 2 deals with the available literature on industrial co-operatives and handicrafts.

In the third chapter, development of handicrafts in India is examined. The historical importance of handicrafts, operation of guild system, decay during the British rule, revival steps taken by the Central and State
Governments and progress under Five Year Plans are studied in detail here. The chapter also includes the importance of handicrafts in the State of Kerala and its progress.

The fourth chapter is concerned with the evolution and progress of industrial co-operatives in traditional industries in India with particular reference to handicrafts. The advantages of industrial co-operatives over cottage units, steps taken by the Government for their promotion and the issues before them are critically examined here. The chapter also includes a study on the growth of co-operatives in traditional industries in Kerala with emphasis on handicrafts.

The fifth chapter does an evaluation of working of industrial co-operatives in handicrafts. The growth of co-operatives, Governmental incentives, their coverage of various crafts and craft persons, benefits conferred on artisans, problems and constraints faced in areas such as raw-materials, finance, production methods, upgradation of skill of artisans, management and marketing of products are covered in this chapter. It also analyses in depth the reasons for the reported failure of co-operatives in handicrafts sector.

In the sixth chapter, a profile and evaluation of the role of Kerala State Handicraft Apex Society in the proper functioning of industrial co-operatives of handicraft sector is included. The Society’s history, organisation structure, sources of funds and organisational goals are covered here. The
chapter also examines the assistance rendered by the Apex Society to primaries in raw-materials, equipments, training of artisans, management and marketing over the years. It makes an attempt to evaluate the marketing techniques employed by the Apex Society to see whether they conform to modern marketing techniques. The reasons for the stoppage of assistance one by one and limiting its service only to marketing the products of primaries are also examined here. The chapter includes a study on the present state of affairs of the Apex Society also.

Chapter seven, is the last and it includes a summary of findings, recommendations and the scope for further research.