Chapter 7

FINDINGS AND RECOMMENDATIONS

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MAJOR FINDINGS OF THE STUDY

The Kerala State Handicraft Apex Society has been set up in the year 1964 by the Government of Kerala. It is established with the objective of ensuring the smooth functioning of industrial co-operatives working in the field of handicrafts by providing raw material, financial assistance, as well as technological, managerial and marketing support. The study is conducted to evaluate the role played by the Apex Society for the working of primary societies in the light of 70 per cent of primary societies remaining defunct. The problems faced by the member societies have also been included in the scope of the study.

The findings of the study related to industrial co-operatives in handicrafts:-

The formation of industrial co-operatives in handicrafts sector took place in the state of Kerala in large numbers during the periods from 1960 to 1970 and 1970 to 1980. Out of 30 working societies, 12 were set up during the sixties, 14 during the seventies and 4 during the eighties. Not even a
single society is reported to have been formed during the period from 1990 to 2000. Liberal financial assistance offered by the Central and State Governments accounted for their growth in large numbers during the earlier periods. The direction issued by the Central Government to co-operatives to approach commercial banks for finance and, reluctance on the part of banks to finance co-operatives became responsible for their poor growth in the later years.

The initiative for the formation of co-operatives was taken up by Trade union leaders, Gandhians and the Leaders of Church. While the Trade union leaders organized 20 out of 30 societies, 3 were set up by the Gandhians and 7 societies by Church leaders.

Since societies were set up by artisans belonging to lower strata of the society, the Government came forward with substantial contribution towards their share capital. 22 out of 30 societies i.e. 73.3 per cent have received governmental contribution towards their share capital ranging from 60 to 80 per cent and the rest 8 i.e. 26.7 per cent varying between 30 and 50 per cent.

Out of 32 crafts prevailing in the state, co-operativisation has taken place only in 6 crafts i.e. 18.75 per cent. Co-operative coverage of the clusters of artisans in crafts where co-operativisation has taken place is meagre. The number of artisans brought under co-operative fold too is low. Out of 98,000
artisans working in Kerala, only 4,000 come under co-operative coverage i.e. just 4.08 per cent.

20 out of 30 societies i.e. 66 per cent have common work place for production. The members of the rest 10 have only the limited option to do production in cottages. Production in common work place fetches advantages like sharing of skill and experience, usage of costly tools, uninterrupted production and close supervision by master craftsmen.

Raw-material cost occupies an important part of the cost of products, for the crafts surveyed, it being more than 50 per cent. Enquiries about the volume of purchase reveal that 56 per cent of societies resort to purchases for monthly requirements, 27 per cent for weekly requirements and the rest 17 per cent for daily requirement. For purchases in larger quantities, prices are proportionately less because of the availability of trade discount. 83 per cent of societies have direct access to sources of raw-materials, thus eliminating middlemen. Prices of raw-materials have increased on an average by 50 per cent in the past six years and societies expressed their inability to pass on their increase completely to customers as such, as it will lead to reduction in sales. Shortage is experienced for materials like sandalwood, rosewood, ivory and buffalo horn.

Although modern tools are available for production, artisans in societies still make use of traditional ones. Artisans are observed holding a
view that usage of modern tools will result in increased cost of production. Management has not succeeded in clearing artisans off this misconception.

Monthly earnings of artisans in the crafts surveyed are in the following range: fibre from Rs. 1,000 to Rs 2000; bamboo, Rs 1000 to Rs 2000, woodcraft Rs 3,000 to Rs 5,000, and metal craft Rs. 4,000 to 5,000. Earnings in the private sector are 10 to 20 per cent higher than the earnings in co-operatives. But there is no continuous work in the private sector. The number of days that the societies work in a year are as :- 6 per cent societies for 100 to 150 days; 20 per cent for 150 to 200 days; 27 per cent for 200 to 250 days; 27 per cent for 250 to 300 days and 20 per cent for 300 to 350 days. On the whole out of 30 societies, 16 i.e. 53 per cent work below 250 days in an year. Thus artisans in majority of societies are faced with the problem of partial employment.

The Central and State Governments are providing various social schemes for the development of artisans. But out of the 4000 members only 750 members ie. 18 per cent have availed various social assistance schemes.

There is a drastic decline in the number of artisans associated with the co-operatives. At the time of formation, membership of societies stood at 7000, but in 2005 it was decreased to 4000 registering 43 per cent fall. Increase in share value, mistrust with management, compulsory termination by the management and shifting of residence by women artisans are observed as the reasons.
600 out of 4000 i.e. 15 per cent of artisans have attended training programmes. During the past two years, not even a single artisan has undergone training. Lack of monetary incentives, venue of training being far away from production centres and absence of confidence in the training programmes are the responsible factors.

Handicraft co-operatives depend upon co-operative banks for working capital. They do not have any complaint regarding the formalities to be observed for availing the loan, but the assistance is stated to be inadequate as their managers follow a very cautious approach. All the handicraft co-operatives expressed difficulties in repayment of loan. Although co-operatives are aware of institutions such as State Financial Corporation and State Co-operative Bank extending term loans, none has tapped these sources.

Members of the Director Board are experienced artisans, but they have education only upto primary school. They are aware of training in entrepreneurial development programmes, but none has undergone such training.

Directors prepare budgets for sales and expenditure, but there are no efforts to achieve them. The practice of the societies is to initiate production as and when orders are received from the usual distribution channels like Apex Society, Handicraft Development Corporation and private traders. The directors lack attributes like responsibility, vigour, initiative and enthusiasm.
in exploring new markets like tourist centres. Management in the hands of directors devoid of entrepreneurial traits is defective and as a consequence their volume of business is low resulting in partial unemployment of artisans.

Channels of distribution consist of direct to customers, sale to Apex Society and Handicraft Development Corporation and sale to private traders. Only 6 out of 30 societies i.e., 20 per cent have showrooms. Others 24 i.e. 80 per cent stock goods in their workshed. Showrooms and worksheds are located in places which are not easily traceable by customers. Products sold direct to customers are at a discount of 5 to 10 per cent as there are savings in transportation charges.

Prices offered by private traders are 10 to 25 per cent higher than those by Apex Society and Handicraft Development Corporation. Likewise there is instant payment of price by private traders. But the demand from them is not frequent and substantial.

Delay is experienced in collection of amounts for products sold to Apex Society and Handicraft Development Corporation. Delay at times extends upto one year. Apex Society and Handicraft Development Corporation account for bulk of the sales of the products of handicraft co-operatives.

The study observed that there are no serious marketing efforts on the part of co-operatives like maintaining attractive showrooms, doing
publicity, collecting feedback, participating in exhibitions or engaging salesmen to contact potential customers like tourists.

The study conducted on the working of the units brings to light both positive and negative aspects of co-operatives. Co-operatives have succeeded in eliminating middlemen in procurement of raw materials and marketing. Likewise majority of societies provide common work shed also for production. But problems outstrip merits. For co-operatives, there are constraints even now in raw materials, finance, and modernisation of production methods, managerial efficiency and marketing. Thus the evaluation proves the hypothesis “Co-operatives are faced with problems in raw-material, finance, production methods, management and marketing and these problems account for the very high percentage of dormancy of handicraft co-operatives” as true.

The change of form of organisation of artisans from individuals to co-operatives has not improved their conditions. Existence of problems like low co-operative coverage of artisans, drastic decline in membership, partial unemployment and lower wages compared to the wages in private sector prove the hypothesis “Co-operativisation has not helped the artisans to improve their earnings and living conditions” also true.
Findings of the Study Related to the Role of Handicraft Apex Society

Kerala State Handicrafts Apex Society was set up by the Government of Kerala in the year 1964. Kerala is one among the three states which has an Apex Society for handicraft co-operatives. The other two states are Orissa and Jammu and Kashmir.

The object behind the formation of Apex Society is to help co-operatives in procurement of raw-materials, finance, modernisation of production methods, upgradation of skill of artisans, proper management and efficient marketing of their finished products. It is thus entrusted with the responsibility of ensuring the feasible working of handicraft co-operatives. Further, the Apex Society is expected to grow as a successful commercial institution.

In the early years of inception the Apex Society used to admit both individuals and co-operatives as members. In order to encourage artisans to come under the co-operative cover, admitting individual artisans as members was done away with in 1975. The growth in membership of Apex Society period wise is as: 1964-65, 10; 1974-75; 80, 1984-85; 100, 1994-95; 102 and 2004-05, 103.

An elaborate procedure such as placing detailed application, scrutiny of application by the Board and assessment by the director representing the district where the primary handicraft society is located, is in
existence for the affiliation of primary handicraft society. The procedure has been made elaborate to ensure that no bogus society gets admitted as a member.

Out of 103 societies, the number of societies working is only 30 i.e., just 30 per cent and the rest 70 per cent are defunct. It is reported that there are 42 societies which have voting right in the annual general body meeting conducted by the Apex Society. It indicates that 12 societies which do not have any business continue to enjoy its membership.

There are 150 handicraft societies registered with the Directorate of Industries and Commerce, but the number affiliated to Apex Society is only 103. Enquiry with the Directorate of Industries about the reason why the remaining 47 societies did not become members revealed that these are recently formed societies and there is reluctance on their part to become members of the Apex Society which is ailing at present.

The Director Board consists of 14 members of whom 11 are elected representatives of affiliated societies in various districts and 3 nominated by the Government of Kerala. Kollam and Pathanamthitta, Kozhikode and Wayanad, and Kannur and Kazargode have only one director each while there are separate directors for all the other districts in Kerala. The directors who have been given charge of more than one district complain that they are overburdened with duties.
The directors are supposed to make frequent visits to primary societies under their purview and offer necessary guidance and advice to ensure their efficient management. The primary societies report that the service of directors is available while affiliation formalities are being complied with. Once affiliation process is over, no further visit is made by them.

The members of the Director Board have experience as artisans, but their qualification is below S.S.L.C. Further they have not received any training in entrepreneurial development programme. Thus they have limitation in offering valuable guidance to management of primary co-operatives.

The directors of the Board are members of political parties. If the directors of the Apex Society and those of primaries belong to different political outfits, the relationship between them is not smooth.

The Apex Society set up a raw material depot and started extending raw-material assistance to handicraft co-operatives only from the year 1980, i.e. after sixteen years of its formation. The raw material depot was established at Cherpu, in Thrissur district. The depot did not survive long and it was closed in 1988. The depot could not procure materials in sufficient quantities in time. There were constraints of inadequate storage facility and lack of funds. Societies situated far away from Thrissur, found it unviable to procure raw-materials from this centre incurring huge transporting cost.
The Apex Society soon after the closure of material depot started giving subsidy to primaries at the rate of 25 per cent on cost of materials bought. This, in fact, was a State Government scheme and the Apex Society was acting only as an agency for its disbursement. The Government dropped the scheme in the year 1998.

For the upgradation of skill of artisans, training programmes are planned by Development Commissioner of Handicrafts. The funds are provided by D.C.H to Apex Society. The Apex Society makes arrangement for training only. On an average 3 training programmes are conducted by D.C.H through Apex Society every year. Training at present is imparted through Craft Development Centre, Ernakulam situated far away from the production centres of artisans. In the past training used to be provided to artisans at production centers and there was provision for stipend to the participating craftsmen. Now there is no provision for stipend. Enquiries with the societies revealed that 15 per cent of artisans have undergone training. It is also reported that the present training programme is attracting only beginners in fibre crafts. Those who have undergone training are doubtful about its effectiveness. It is observed that the Apex Society has not so far conducted a training programme at its own initiative and expenses and it is only implementing the scheme of D.C.H.

In the matter of finance, the Apex Society itself is faced with shortage for its own operations. There has never been a case in the history of
The service of Apex Society to handicraft co-operatives is presently confined to procurement of their goods and marketing them. The Apex organisation being a larger entity is expected to ensure efficient marketing. The study on its marketing practices reveals that even in this field, it has defects which are noted below:

The number of showrooms opened in its 42 years of working is just 16. This record of similar organisations for the traditional crafts is far better. For instance, Hantex and Hanveev for handloom sector formed 182 and 140 showrooms respectively while the shops set up by Coirfed for coir and Handicraft Development Corporation for handicrafts are 51 and 22 respectively.

There is growing demand potential for handicrafts in tourist centres. But out of 16 only one is functioning in tourist spot. Thus the location of the retail shop is unimaginative and as a result the society has not been able to tap the growing demand potential in tourist areas.

The spending on a show room by the Apex Society is in the range of Rs. 8000 to 10,000. On the other hand, the expenditure incurred by Handicraft Development Corporation and private traders, varies between Rs. 20000-25000 and Rs. 30,000 to 35,000 respectively. The meagre amount spent
by the Apex Society does not permit it to have attractive window display and effective arrangement of goods.

Till 1994, the Board of Directors used to appoint salesmen from among the employees of the Apex Society. Presently, this authority is entrusted to PSC. The recruitment procedure followed is the same as that for clerical posts. The suitability of the candidates for the salesmen’s post is not assessed. Further they are not given any training in salesmanship. As they know only Malayalam, they cannot interact with foreign tourists.

On festival occasions, the showrooms of all organisations meant for traditional industries except handicraft, work extra time on weekdays and they function on a few Sundays also. The reluctance of Apex Society showrooms to work extra time, results in loss of customers.

Market assessment, through surveys is an important part of modern marketing strategy. The Apex organisation has not conducted any survey so far. Likewise, it does not have any mechanism for collection of feedback from customers regarding these products and passing on them to artisans.

The percentage of advertisement expenditure on sales is negligible and it does not come even up to one per cent on sales. The organisations such as Coirfed for coir industry and Hantex for handloom industry spend 10 to 15 per cent on sales as advertisement.
Analysis of the trend in sales during the six year period of survey shows that sales has remained more or less steady from 1999-00 to 2002-03. The sales in 2004-05 shows a decline of 9.4 per cent compared to the sales of 2002-03. It is observed that there is rise in procurement of goods by Apex Society from primary societies during the period of study. This situation results in accumulation of stock and the percentage of stock to total goods is varying between 40 to 50 per cent during the period of survey. The accumulation of stock with the Apex Society prevents industrial co-operatives from working to full capacity. Hence the artisans of the primary societies are not fully employed throughout the year.

Apex Society makes most of its sales on credit and there is laxity on its part for collection of book debts. The huge receivables force the Apex Society to postpone its dues to co-operatives for goods procured. This causes cash problems for the primary societies.

The prices of the goods procured by the Apex Society are fixed by its Price Fixation Committee comprising persons who do not have any special skill in assessing the real value of products. On goods sold to Apex Society, primaries get only a margin of 15 to 40 per cent. The margin of Apex Society on sales is as high as 50 to 100 per cent.

The above analysis points out inadequacies in marketing strategy like poor coverage of retail shops, unimaginative location, poor window display, ineffective arrangement of goods, underqualified sales personnel, lack
of market surveys and collection of feedback and meagre advertisement expenditure on sales, laxity in the collection of book debts and irrational fixation of prices for products. Thus the study proves the hypothesis “Marketing strategy being followed by Apex Society is defective leading to accumulation of stock and cash difficulties” as true.

The study on the role of Apex Society in developing primaries reveals that there is no support in respect of raw materials, finance, upgradation of skill and management. Its service is restricted only to marketing and even in this field, its deficiencies like weak marketing strategy, poor collection of receivables, delay in payment to primaries and unscientific price fixation are causing hardships to primaries. Thus the hypothesis “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 benefited” is confirmed true.

The evaluation of the functioning of Apex organisation brings to light certain other defects in its operations as mentioned below.

Director Board comprising members whose qualification is below S.S.L.C has limitation in policy formulation, its implementation and decision making in a commercial enterprise like Apex Society. The Board makes budgets regarding sales and expenditures, but no procedures are laid down for their achievement. There is no monitoring of operations by the Board.
The annual reports published by the Apex Society do not contain details regarding achievement.

For day to day management, there is shortage of staff. Three important posts at the executive level and five at the clerical level are vacant. There was provision for training of staff in the early years, but it was stopped in 1995. As the society has been incurring losses, the pay revisions recommended by the committee are not sanctioned from the year 1999 onwards. This has created discontentment among the staff.

In the early years of inception, the organisation used to depend upon NABARD for its financial needs. The guarantee by the State Government is a must to avail the loan from NABARD. As soon as the society started incurring losses, the government stopped the guarantee leading to the denial of loan facility by NABARD. At present overdraft facility upto Rs. 50,00,000 is obtained from State Co-operative Bank. This facility is stated to be inadequate for its financial needs. In addition, the rate of interest on overdraft is 9.5 per cent which infact is 2 per cent higher than the interest rate on NABARD loan. Large amounts of receivables, undue delay in payment to co-operatives for goods procured and cash crunch faced by the Apex Society are all indications of its defective financial management.

The operational results of the Apex Society are dismal. The percentage of Gross profit on sales has fallen from 32.63 per cent in
1999-00 to 24.26 per cent in 2004-05. The Profit and Loss Account exhibits net loss for the period of survey and thus the enterprise has been operating below break even point for years.

The accumulated loss of Apex Society came to Rs. 2,35,19,200 in the year 2004-05 where as total paid up capital and reserves stood at Rs.2,05,68,332 during the same period. Thus the accumulated loss exceeds share capital and reserves and the networth has been completely eroded.

Director board consisting of under qualified persons, shortage of staff at the executive and clerical levels, inability to tap less costly institutional finance like NABARD, cash crunch and lack of aggressive marketing are observed as strong defects of Apex Society. Its failure to grow as a successful commercial institution is indicated by recurring losses and erosion of its capital and reserves by accumulated losses. In the light of these factors the hypothesis “Apex Society is presently acting only as an agency for implementing the policies and programmes of the Central and State Governments and it fails to function as a successful commercial organisation” is confirmed true.

**Recommendations**

Raw material depots may be opened by the Handicraft Apex Society at least one in north Kerala, one in central Kerala and another in south Kerala so as to ensure the easy availability of raw materials without incurring huge
transportation cost which is the case in a centralised set up, to the primary handicraft societies.

Department of Forest may earmark a certain portion, atleast 10 per cent of its annual felling of rosewood, teakwood, sandalwood, etc for the distribution to primary societies through Handicraft Apex Society to ease their raw material problems.

The raw material depot of the Handicraft Apex Society must ensure the quality and availability of sandalwood, rosewood, teakwood, different natural fibres etc.to the primary societies.

The Kerala State Bamboo Development Corporation has to take steps to provide quality weaving reeds in time to the craft persons throughout the year.

The Craft Development Centre, Ernakulam owned and operated by the Handicraft Apex Society has to be strengthened with modern machines available in the country and abroad in selected crafts like wood and metal.

A modern library with latest books, periodicals and journals on handicrafts should be created in the Craft Development Centre for dissemination of information to the interested craft persons.
The Handicraft Apex Society must conduct awareness programmes about the utility and superiority of modern tools in artisan clusters and change their mindset in favour of their adoption.

The President and at least 30 per cent of the directors of Apex Society must undergo training in entrepreneurial development programmes conducted by reputed institutes like KITCO, SISI etc. The training should lay stress on methods of budgeting, procedure for follow up and corrective steps for deviation. The directors of primary societies must also be encouraged to do similar training programmes.

An art design centre may be started by a consortium of Development Commissioner of Handicrafts, Directorate of Industry and Commerce, Handicraft Development Corporation and Handicraft Apex Society with the technical collaboration of Regional Design and Technical Development Centre, Bangalore. This centre should be a nodal agency for the development of new designs and products and for preserving and documenting the existing designs and models in traditional crafts.

The showrooms of the Handicraft Apex Society should be a central place for marketing the products of artisans. The showrooms should be started in tourist places and also in district headquarters to attract the customers. Setting up of showrooms in all the tourist spots of the state is a time consuming process. The Apex Society should employ sales representatives in such places.
and they should be entrusted with canvassing orders. This practice is successfully done by the private sector.

The Handicraft Apex Society must spend more amount on showrooms to make attractive window display and effective arrangement of the handicraft products.

The Apex Society should provide committed and trained sales personnel to explain and persuade customers to buy the handicraft products. The salary of the salesmen should consist of a fixed amount and an amount on the basis of sales.

A scientific approach is essential for valuing the handicraft products. To solve the problem of pricing, a committee under the Directorate of Industries and Commerce may be constituted with representatives from HDCK, Handicraft Apex Society, KADCO and artisans and an expert in the field of handicraft has to work out the value of major crafts and this has to be reviewed every year.

Government of India has formulated a scheme for setting up of craft bazaars for a meaningful interaction with artisans and exporters. The Apex Society must take necessary steps to implement the scheme. These arrangements will improve the export potentiality of the handicraft products in Kerala.
Documentary films and video clippings on Kerala handicrafts are to be made by Handicraft Apex Society for giving more publicity within India and abroad.

The coverage on handicrafts in the official website of Kerala Handicraft Apex Society should be expanded with the classic crafts and details on handicrafts developmental agencies.

The Handicraft Apex Society must take necessary steps to make the skill development programmes more effective. They must try to conduct the programmes at the craft centres, resource persons must be from our own state and the materials used should be familiar to artisans. The artisans are to be compensated for their loss of earnings while attending training programme.

The skill development training should include design development, quality improvement, demand oriented products, technology upgradation and application of modern tools.

The Handicraft Apex Society may take necessary steps to give more publicity on the social schemes to make the craftsperson aware. The schemes should be monitored meticulously by the Directorate of Industries and Commerce to achieve the target.

The State Government should provide more funds by way of grant to ease the working capital shortage of the Apex Society.
It has observed in the study that huge indirect charges are responsible for the result of net operations of the Apex Society being a loss. Hence, a strict control over them is a must. The Director Board should fix a target for each item of indirect charge for the budget period and should be taken to see that this is not exceeded.

The top posts of Apex Society such as Commercial Manager, Craft Development Officer and Finance Officer must be filled up with adequately qualified persons. This step can inject professionalism in its management.

Instruction must be given by the Finance Officer to the managers of retail shops for the time bound collection of bookdebts. This will enable the Apex Society to ensure payment for goods procured from primary societies without much delay. Heading the Finance Section, by an executive with the qualification in Chartered Accountancy can go a long way in improving the financial position of the Apex Organisation.

Director Board must consist of both experienced and young persons in order to ensure availability of both knowledge and enthusiasm in the functioning of the society.

A one time financial assistance for the revival of defunct societies should be provided by the Development Commissioner of Handicrafts and this must be routed through the Apex Society.
Scope for further Research

1. Socio-economic conditions of artisans in the handicraft sector in Kerala.

2. Evaluation of State Government measures for the development of handicrafts in Kerala.

3. A comparative study of handicrafts in the co-operative sector and the private sector.

4. Organisational innovations for cottage crafts such as individual units, industrial co-operatives and cluster type.