Summary of Findings and Suggestions
CHAPTER - VII

SUMMARY OF FINDINGS AND SUGGESTIONS

Handicrafts play a significant role in the economy of Kerala. Among the traditional industries this sector promises more opportunities for employment, major share in total export and increase in production. By the end of 1996-97, the total value of items produced in this sector reached to Rs.1200 lakhs in the state.

There are two types of production units organized under this industry. They are industrial handicraft workshop units and house hold units. Among these units the industrial workshop units are running efficiently comparing to house hold, due to the direct facilities they enjoyed from the Directorate of Industries of Kerala.

Number of agencies are engaged in the promotion of handicrafts in the state. They include Handicraft Co-operative Apex Society, Artisans Development Corporation, Bamboo Corporation and Handicraft Development Corporation. Besides these agencies, the Directorate of Industries, District Industrial Centres and Handicraft Development Board also assist in the functioning of this industry in the state.
However, the co-operative movement to this sector was introduced with a view to get an eligible share to the vulnerable artisans engaged in craft works. As a result 102 handicraft primary societies were organized in the state to meet the above objective. These societies undertake marketing of the products and in certain cases supply of raw materials to their members. These societies are federated to an apex handicraft co-operative society registered under the name of 'Surabi'. The main activity of this federation is to channelise the products of its member societies through a number of sales emporia opened in and outside the state.

However, an evaluation of the performance of co-operatives in promoting craft highlights that the functioning of these units were not recorded as competent to meet the above objectives. For instance, the high rate of dormancy among these co-operatives indicated the lop sided progress of this movement in Kerala.

On the above scenario, major objectives of this study were designed with a view to assess the present market situation of handicrafts. The study examines the organizational set up and present functioning of the co-operatives, and the role of primary handicraft co-operatives in production and marketing. Moreover, it also looks into the assistance provided by apex to its
member societies along with the problems and constraints in handicraft marketing.

The study was primarily designed as an empirical one based on survey method. The study covers 10 primary co-operative societies and the State Handicraft Apex Co-operative Federation. Besides, 11 state emporia and 22 private traders were also selected from three districts of Kerala namely Thiruvananthapuram, Ernakulam and Thrissur. A consumer survey on 100 consumers, 25 from primary societies, 25 from state emporia and 50 from private traders was also incorporated in the study.

FINDINGS

Co-operative organizations play a major role in implementing development programmes in every state. These units generate employment by easily setting up in rural and backward areas. Through the decentralised pattern of ownership, these units stimulate growth of entrepreneurship among their member artisans.

However, in recent years, the records of handicraft co-operatives show weak performance in Kerala. The rate of growth of these units were found very low, comparing to the private and state handicraft units. The
main reason pointed out for the progress of the said units were the strong infrastructural support they enjoy with several services extended by national and state industrial institutions. Keeping this in view the state government has also built up strong institutional framework to support handicraft co-operatives in Kerala.

The development of handicraft co-operatives is a state affair and, therefore, the progress of this sector and its institutionalisation were expected to be planned and developed by the state government. However, the central government has also interfered in the functions of these units by implementing programmes through national agencies. The major agencies involved in this sector are National Small Industries Corporation, All India Handicraft Board and Small Industries Development Organization. Though a comprehensive network of institutions are set up at central and state level, at many instances the dual influences of these organizations adversely affected the functioning of handicraft co-operatives in Kerala.

Majority of handicraft units face challenges in the market and handicraft co-operatives are not an exception from the above. Because of the high competition, many of these societies depend on their apex federation for sale of product due to their limited experience in the market. It is a fact that the societies could help their members only
if they assure a sustainable market for the products of their members. But in many instances, the societies fail to achieve this objective. To fulfill this commitment these units have to adopt relevant changes in their market outlook.

In this background the foregoing study throws light to the existing pattern of organizational support and market measures followed by handicraft co-operatives in Kerala.

The analysis of the study was designed under two sections. The first part of the analysis evaluate the organizational structure and present functioning of handicraft co-operatives in Kerala. This section also examines the share of co-operatives in domestic and export marketing of handicrafts of the state.

- The study identified two levels of organisational structure for handicraft co-operatives. At one side these societies are registered to District Industrial Centers and are monitored by Department of Industries at state and central level. On the other, these societies are affiliated to apex federation, where there exists two tier structure in the state.
- This organizational structure impose dual control over the functions of handicraft co-operatives in the state.

- The subsidy for raw materials are extended by Industrial centres, which are channelised through apex societies. This calls undue delay in sanctioning subsidy resulting failure of the co-operatives to meet the timely requirement of materials by the members.

- Similarly delay also occur in sanctioning credit to meet working capital requirements of the society. This was due to the number of procedures followed by District Industrial Centre and credit institutions in sanctioning finance.

- An analysis of the performance of primary handicraft societies in terms of production and marketing reveals that in many instances their functions were hampered due to the dual control.

- More over these handicraft societies were labouring under serious handicaps in production (like lack of finance, material, training etc.) due to the absence
of appropriate coordination in activities at different organizational levels, set up to extend services.

**Role of Co-operative in Production**

In order to analyse the role of primary handicraft co-operatives in assisting production, the study looked into major three factors influencing production. They are the nature of product members produce, type of production followed and the availability of infrastructure used for production. Since the above factors highlight the cost of production, it helps to find out the extend of assistance required by members for production of crafts.

- The production cost for handicrafts in respect to the nature of craft produced highlights that, no uniform measurement was followed by societies while providing finance. While some crafts enjoyed low cost of production due to nature of raw materials utilised, their handling charges were recorded very high. Therefore, no artisans enjoy a production advantage for any crafts because either the production cost was high or handling charge was high irrespective of the craft produced. Therefore, every members are facing dearth of finance.
- The nature or type of production followed by societies/members also indicated their high production cost. The low labour efficiency indicates the existence of traditional technology and absence of specialised training for production. This also increased the cost of production for handicrafts. This calls the need for research and development and training for members in production.

- The major infrastructures required for production, i.e., finance and materials were found insufficient for these societies. This was indicated by the low working capital turnover ratio of units which show high financial requirements for assisting their members in production.

- A major problem faced by the household units were their low inventory turnover ratio, which was due to the slow movement of their stock. This resulted in delay in return of money, ultimately giving shortage of finance to undertake production.

- Similarly, the low inventory turnover results in delay in payments to members, who also suffers lack of production assistance from societies. Therefore, the inability of the household societies in
providing timely finance, questions the efficiency of these societies.

- The societies were found unable to provide any provisions on land or equipments to assist their members in production, more than 70 per cent of finance for production was met by artisans themselves through external sources, resulting heavy burden to them. Therefore, they were forced to sell their products to these creditors at a low price.

- Similarly no raw materials were provided by primary societies except 10 per cent subsidy extended by District Industrial Centers for the purchase of materials by artisans themselves.

The findings reveal that lack of finance and inadequate supply of materials increased the production cost of primary societies and members. This heavy burden on the shoulders questions the effective functioning of present organizational set up of handicraft Co-operatives at the state.

The primary societies argued that, their inefficiency to support the members were mainly due to the
lack of timely and appropriate support they received from apex. An evaluation of the institutional support provided by apex reveals that no financial assistance was provided by the apex to its member primaries.

- Moreover, the only support provided by apex was extend of raw materials to members. Though an increase was recorded in supply of raw materials the quantity was found very low and insufficient to meet production.

- Till 1993-94, there were no technical training programmes arranged by apex. However, the first attempt for training was launched in 1995 through Craft Development Centers.

- The reason pointed out by apex for its incapability in assisting primaries, was its weak financial worthiness. Absence of government support and low member contribution were the main reasons pointed out for the above deficiency.

- While analysing the internal source of finance, study found very low contribution by the member primary co-operatives towards the working capital of the apex. The norm to be followed in the ratio of
working capital to members' contribution is that, at least 20 per cent of the working capital of apex should be contributed by member primaries. However, the analysis found that so far the norm was not met by the societies. This was listed out as a reason for shortage of finance for apex to assist member primaries.

- However, the primary societies opined that, it was not the incapability of apex but lack of their initiative was the reason for poor assistance provided by apex.

- The procurement records of apex reveals that the procurement of crafts from primary societies constituted only 45 per cent and remaining 55 per cent was from non members.

- The only market assistance extended by apex to the members was sale of procured crafts through their emporia.

- Despite the demand for crafts, the sales emporia of apex were setup mainly at town centers while private and state emporia were more concentrated
at tourist centers. It shows the absence of a proper market segmentation by co-operatives.

In brief the findings of the study highlight absence of a steady assistance by the apex to their primary handicraft co-operative societies.

The second section of the analysis looked into the measures followed by handicraft co-operatives in promoting the products in the state. In this view, the existing market measures followed by societies were analysed under four major heads namely, product, price, physical distribution and promotion. The existing problems and constraints in marketing by co-operatives were examined with a comparison to the present marketing measures followed by private and state emporia.

- The survey revealed that high demand was existing for art crafts. These crafts were brought mainly as gift items in Kerala. Recognising these scenario, private and state concentrate their stock on art crafts to meet demand. However, the product selection strategy of co-operatives were not found matching with the existing customers demand. For instance, 45 per cent of the procurements by societies were based on availability of goods offered
by members, and therefore, they stand behind in selection of crafts and fail to meet the market demand in Kerala.

- The product concentration index of societies was very high with wood and metal crafts, by limiting their collection for varieties of stock for sales.

- High product concentration questions the competency of co-operative societies in handicraft markets.

- The customer's satisfaction index was high for the quality of crafts in terms of size, design and finish, whereas the satisfaction index for raw material and colour used was very low.

- The reason opined for poor quality of crafts produced by societies were the non-adherence of quality check by leaving the production to the taste of artisans.

- Customers preferred product modification to get novel designs with traditional touch. This was considered by private and state emporia. Where as,
the variety and novelty in production found limited for co-operatives.

- The efforts taken by co-operatives to make product modification in terms of raw material, colour, design and size were not found remarkable. Majority of societies do not make change in raw materials used and colour combinations followed.

- Similar to other products, to get recognition in market branding is admitted as essential by majority of traders and consumers. But co-operatives do not prefer branding and only 10 per cent follow branding at local names. But 60 per cent of private traders follow branding and use it as main promotional tool for sale.

- Seventy percent of societies were against labelling. They believe that it damages beauty of craft and increases cost. However, many of the private traders and state emporia use label stating that it is a major tool for promotion.

- An awareness survey among customers about the ownership pattern of handicrafts revealed that customers awareness level about public emporia,
private and khadi & village were high comparing to co-operatives. This indicated the relevance of branding and labelling.

- An analysis of respondents opinion on the importance of price for purchase of crafts reveals that price was considered important at time of purchase but did not influence purchase of certain crafts especially art crafts bought for gift purpose.

- Since price is a flexible factor in purchase the private traders enjoy a price higher than their competitors. However, for co-operatives the freedom to fix price is limited because apex fix price based on what the artisan ask for his craft.

- The objective for fixing price but the traders were analysed by using Kendall's Coefficient of Concordance. The analyses explained that the private trader fixes price to earn profit, state to maintain market but co-operatives to give better share to the artisans. Since, the societies do not have the right to change price in accordance to change made by private traders, the artisans fail to
receive reasonable share of the price for their products.

- The flexibility in fixing price helps the private traders to make occasional price cut to boost sales. They provide price discounts for bulk purchase, new entry to market, on basis of geographic locations, sale of old stocks etc. But co-operatives have the flexibility in price discounts only at festival seasons and very often for sale of old stocks.

- Since the price was not found a main factor for purchase of handicrafts, the flexibility enjoyed by private traders in pricing helped them to dominate the market.

- An examination of the distribution system followed for crafts reveals that, the private and state units follow exclusive, intensive and selective distribution in accordance to geographical demands. But due to limited holdings the co-operatives follow only exclusive distribution channel by selling only through their own show rooms.

- The distribution system followed by private traders gives them the advantage of 100 per cent direct
customer contact and 70 per cent contact with other trade organisation. But for co-operatives even though they have channel contacts the study found the weak.

- An examination of different channels followed by primary societies explains that the societies who have retail shops of their own, enjoy high channel profitability than their sales through apex. Because while selling through apex, they deduct a share of the price to the membership fund.

- The analysis of physical distribution reveals that the number of distribution channels followed by co-operatives to sell their product are limited. As a result the market accessibility for these units is very less which also affects their promotion strategies.

- The survey on exposure of respondents to different media revealed that majority of respondents were exposed to television and print media. The frequency of viewing media by the customer were also recorded high for the above media.
- Awareness regarding the promotion of certain state crafts among these media were recorded high for handicrafts of Madhya Pradesh and Karnataka through televisions and Rajasthan through journals and other print media.

- Awareness regarding crafts of Kerala through the above media were recorded very low. One reason pointed out was promotion of other state crafts through the television programme called 'Surabhi'. No propaganda were found for Kerala co-operative crafts through this programme at national level.

- All the customers, co-operatives and state emporia were aware of the price cut followed for sales in the state.

- The promotion through television was recorded as the highly effective promotional measure for co-operative products by the customer.

- The second promotional measure suggested by respondents were print media followed by price cuts for utility and utility cum decorative and window displays for art crafts.
The foregoing discussions explained that co-operatives could not explore the market with their present limited market measures. Identifying a potential demand for handicrafts in and outside the state the private and state emporia change their market strategies to compete with other traders. Product diversification and modification, branding, labelling etc. were the positive measures adopted by these traders for meeting the future demands. Moreover, these units have become competent through adopting appropriate promotional measures. However, the co-operatives still stand behind and, therefore, to widen their markets or to gain a share for their crafts, societies have to go for feasible modifications in their production and marketing strategies.

On the basis of the analysis and findings the study lists out following suggestions.

**SUGGESTIONS**

The two tier structure of handicraft co-operatives at one side and different Departments at state and national level for promoting handicrafts at the other side, bring dual control over the societies. Repetition of formalities and procedures often cause undue delay in sanctioning finance, materials and technical assistance to members. Therefore, to overcome these difficulties the organizational structure
should be clearly defined in terms of providing assistance and imparting control.

The registration of societies under District Industrial Centres and affiliation to apex brings dilemma in enforcement of rules and regulations. Therefore, these two functions, i.e., registration and affiliation of these societies should be done under a single organisation, i.e., under the apex as similar to other co-operatives.

To improve the management of these societies, there should be unity in direction and control. The societies should be answerable only to a single organization, i.e., to the apex to improve its functions with quick decisions and timely services.

The Industrial Centres should stand as coordinating agencies supporting apex in imparting services to the primaries. The services of Industrial Centres like organizing training, dissemination of market demands, arranging exhibitions etc. should be channelised through apex. For this purpose periodical programmes should be designed by these organizations.

The District Industrial Centres should act as nodal agency in undertaking projects of Handicrafts
Development Corporations, Ministry of Industry and Development Commission of Handicrafts for promoting crafts in each state.

The household units are found weak in their performance. Special packages should be designed with a joint effort by apex and industrial centres to promote these units. This could be done by inviting consultancy services of professionals in launching new programmes to uplift these units.

Those household societies which could not be rehabilitated through this packages should be reformed into industrial sheds. This could be done in two ways. In one way this could be done by amalgamating or handing over the household units to neighbouring successful industrial co-operatives. Or in other way, training local youths under the guidance of the major craftsman of the household units and there by organize industrial sheds under the direction of apex and industrial centres.

To avoid delay in sanctioning subsides and to provide timely finance the present organizational structure should be changed. Since the apex is unable to offer loan, this unit should arrange a triangular association with Industrial Centres and Primary Service Co-operative banks.
to provide credit to the primary handicraft societies. The former two organizations should stand as guarantors to primary bank by pledging the properties of artisans or society in issuing loan. The repayment of loan should be made through apex, by selling the products. This ensure proper channelisation of finance avoid delay in issue of loan and also helps societies to make timely repayment of loan.

All the subsidies provided at time of lending loan and materials should be deployed through apex. The small scale industrial office should keep a liaisons with apex in providing these services.

In order to ensure an efficient and sincere service to the member primary handicraft societies, the apex co-operatives has to reform certain policies and procedures related to procurement and marketing.

The first measure expected to be taken by the apex is to reduce the share of its procurement from external agencies and concentrate more (if possible 100 per cent procurement) from primaries. This would encourage the primaries to increase production to meet ready demand.

To avoid delay in production by primaries the apex should give periodical guidance and supervision, in all their activities like issue of finance and material
procurement of products from members, promotion and sale of crafts etc.

Majority of primary handicraft societies produce only one or two crafts. Due to this product concentration, apex could not maintain variety of products to meet the heterogeneous groups. Therefore, to reduce product concentration, apex with the help of industrial centres should arrange training on production of novel designs. Regular meetings and briefings by officials of Development Commission of Handicrafts should also be arranged to encourage artisans to shift into new models.

In order to encourage artisans to produce novel designs with quality, due recognition should be given to them by declaring awards. ‘Craftsman’ of the year should be selected from the member artisans by the apex.

Similarly the society which functions efficiently in terms of production of crafts with variety of designs, maintenance of quality and quantity should also be recognised by giving awards.

Measures should be taken by apex to assure the quality of products produced by their members. For inspection and regular checking of the quality, the apex in
association with industrial centres should establish a quality inspection cell. Officials of apex, industrial centres, Development Commission of Handicrafts and master craftsmen should be included in the cell. Periodical meetings, seminars and classes should be arranged to educate artisans about the requirement of maintaining quality for the crafts. Training should also be given to those members who are back in maintaining quality in design, finish and colour of crafts.

The quality inspection cell should also disseminate market information regarding the present design, colour and finish demanded by customer. In association with research organizations, the fast moving products could be notified by the cell.

To compete along with Kairali and Private traders co-operatives should also introduce brand for their crafts. Since SURABHI is the accepted name for co-operatives this can be used as the brand for their products. The word SURABHI should be encarved on their crafts to identify their brand in the market.

Labelling of the products should be introduced by co-operatives. To identify their products label should be pasted without hiding the beauty of work. Label should
specify the brand, weight of craft, description of material used (for example teak wood, rose wood, brass metal etc.) etc. The name of primary handicraft society should also be shown on the label. This will help to promote direct sales by the societies.

Since art crafts were found as the fast moving products with potential market societies should encourage production of art crafts by their members.

The Development Commission of Handicrafts in association with Ministry of industry should organise a research and development cell at national level with branches in each states. This cell should carry research on changing taste of customer and develop designs of crafts and utensil crafts to meet the market. This will also promote export.

The pricing policy of the co-operatives should be changed in accordance to the market for their crafts. Marginal difference in price should be maintained by the co-operatives for their products to compete with private traders.

Similarly, instead of fixing three periods for price cuts societies should follow a price discount period in
accordance to the local festivals of the area. This will also facilitate foreigners to buy from these units. For instance, apex should give discounts at the time of Thrissur Pooram at Thrissur town.

Instead of limiting their distribution channels through apex, societies should follow symbiotic channels appropriate to the market segment. Especially in tourist centres societies can sell through different channels, which help apex to reduce the cost of opening new showrooms.

Public relation with government offices are essential for co-operatives to develop handicraft culture. Usually offices buy handicrafts to give gift, mementos or awards. By personal and intimate contact with offices (by sending cards, brochures etc.) societies could turn them into regular customers.

Intensive promotional techniques are to be introduced by co-operatives to promote their products. Since, their finance is limited joint effort should be taken with special programmes by Industrial Centres and Ministry of Industries to promote the co-operatives. Advertisements through journals and papers frequently with displays in
tourist centres, railway stations and airports should be done to promote the products.

Since the awareness level of the customers regarding co-operatives are very low, special programmes should be telecasted on them. Products of handicrafts co-operatives should also be included in offering gifts through television programmes.

In all modes of advertisements the brand SURABHI should be used. This will make promotion for co-operatives easy.

The customers of handicrafts especially foreign tourists expect professional practice in marketing. Therefore, it is time for the co-operatives to examine the present market measures followed by them in domestic sale and export. To place the products in different market segments societies should adopt modern market techniques. To some extent co-operatives have to follow the market strategies of the state and private traders to compete in the market.

The high rate of dormancy among the handicraft co-operative are mainly due to weak financial position. The
boost in sales ultimately brings down this constraint and will improve the share of co-operatives in export.

The projected figures on export of handicrafts shows the challenges and opportunities for co-operatives in this sector. In order to meet these challenges and opportunities, the co-operatives have to chalk out appropriate plan of action to play rightful role in the future development of handicrafts. Therefore, in the coming years co-operatives have to blossom and spread entrepreneurial culture among their artisans to win the market. A right type of vision in production and marketing is to be adopted to meet the above objective. This calls innovations, new technology, finance, skill and sound management.

In brief, this study looks into the production and marketing measures, policies and problems of handicraft co-operatives. There are more areas where these co-operatives face problems, which this study could not reach due to the constraints. However, this study would help to explore these areas in deep and throws light for further research to reorient this sector.