Introduction
CHAPTER - I

INTRODUCTION

Kerala is a land with a rich cultural heritage. This land is blessed with a colourful tradition passed down from generation to generation. The inspiration to preserve this tradition is considerably contributed by the artisans of the state.

Kerala has got a luxurious range of arts and crafts, especially in wood and brass metals. Varieties of models are listed as handicrafts including lamps, interior decoratives, figures of gods and goddesses etc. Numerous are the other crafts of the state. Rose wood, teak wood, sandal wood carvings along with straw picture, horn carvings, reed and bamboo woven articles etc., are some of the handicrafts of Kerala dazzling with their aesthetic brilliance.

Moreover, the historical monuments highlight a deep rooted tradition for the crafts of the state. The rise and fall of numerous kingdoms highly influenced the birth of versatilities in these products. And therefore, the artisans of the state possess a large and diversified tradition in handicrafts.
The inspiration to preserve this traditional occupation along with the necessary skilled labour encouraged the artisans to organize handicrafts as a small industry. Though large industries did not make any marked progress in Kerala, there was a significant development in the small scale units under this sector. The growth and development of small industries gradually encouraged the carpenters, black smiths and weavers to enter into small business to reap the benefits of industrialization. Thus, these artisans organised production of handicrafts under cottage industries with small capital but with intensive labour input.

The handicraft industries were mainly organised in rural areas in the state. The products of these industries possessed artistic merit, beauty and design with due attention to preserve the heritage of the state.

Based on the consumption and demand the products of handicraft industries are grouped into three. First is utility crafts - which are comparatively plain products with a purpose to serve for common use. Secondly utility – cum -decorative crafts, which possess ornamental value and their market is selective. Lastly, art crafts, which are sophisticated and associated with aristocracy where, its production is on the basis of the caste of the artisans and skill inherited from ancestors.
The production of handicrafts is in general complicated, involving numerous processes, taking time and labour. This calls for specialization and division of labour, as well as large machines, along with expert and efficient techniques of production. This entails high cost of production in this sector. However, lack of finance, and assistance deprive these handicraft units from the benefits of internal and external economies.

In the above scenario, due to the limited holdings on the one hand and absence of an organized production facility on the other the artisans faced difficulties in their occupation. In many instances, they were at a disadvantage in bargaining with merchant traders, who were, dominants of the markets, for credit and services. Gradually the heavy burden of credit compelled the artisans to continue their work under these traders, who eventually, controlled the handicraft industry of Kerala.

It was in this context that the idea of decentralizing the small industries emerged with a view to lessen the problems of artisans. This idea evoked the concept of organizing artisans under the principles of co-operation in order to save them from the clutches of private traders. The co-operative organisation could provide many facilities like legal status, advantage of limited liabilities, financial support along with production and
marketing assistance. Therefore, with an inherent necessity to organize co-operatives in this field vigorous efforts were taken by the government through the development plans.

The first step for organizing co-operative movement in this sector was initiated by registering an handicraft co-operative society at Thrissur in 1932. Later on a number of primary handicraft co-operative societies were registered in different parts of Kerala. Statistical information reveals that the co-operative movement had a wide coverage on the handicraft sector in Kerala. Though this movement was introduced to help the artisans to avail of their eligible production assistance to run the business efficiently, the performance of co-operatives over the years was not found satisfactory.

Many reasons were listed for the failure of co-operatives to give effect to common production and marketing programmes. The major bottleneck highlighted was the low productivity of these societies. The low productivity ultimately resulted in low working capital for the co-operatives. However, the consequence of low productivity and lack of finance fell on the shoulders of the artisans, who gradually lost loyalty to this movement.

Along with the above problems, absence of market techniques was also found a main reason for the
weak performance of co-operatives in domestic and foreign trade. For instance, the share of handicraft co-operatives in export of crafts from Kerala recorded hardly one per cent till 1997.

The majority of handicraft co-operatives fail because of their failure in the market. When their products fail to have a market, it blocks production, flow of finance and hinders the payments to members for their products. Therefore, members lost faith in co-operatives and approached private traders to market their products. This had a dual impact i.e., the lock out of the societies and the domination of markets by private traders. As a result the dormancy rate in this sector increased to 42 per cent by the end of 1997.

Statement of the Problem

Due to the limitations faced by artisans, their dependence to the traders and outside markets increased for purchase of raw material, supply of credit and assistance for sales outlets. Even though, the government has introduced state emporia and co-operative societies, in many instances the absence of organisational support to co-operatives encouraged private traders to assume a predominant place over the handicraft co-operatives both in production and
marketing. Therefore, the traders have come to acquire a monopoly in handicraft marketing in the state.

The crux of these problems is that the size of market (as measured by the volume of output sold) directly influences the survival of handicraft co-operatives. In fact, the size of market for co-operatives gets limited due to their inability to compete with the traders. Recognizing the consumers' expectations, the private traders play all the market tricks to capture the market. Therefore, they enjoy a monopoly by exploiting both producers and consumers of handicrafts.

To preserve a market for co-operatives and save both producers and consumers from undue exploitation there is the immediate need to adopt appropriate market techniques with improved productivity for these units. This could be done by the amendment of existing market procedures, in terms of product, price, physical distribution and promotion to compete in the market.

Therefore, the co-operatives are at the stage of market embodiment to place themselves in internal and external market pockets to arrest private domination. Considerable modulations are required in their market techniques with a view to satisfy both producers and consumers. This warrants an in depth approach,
appropriately to adjust production and marketing to promote handicrafts and to create potential markets for co-operatives. Though the co-operatives undertake many functions to serve the producers and consumers, the effectiveness of these functions depends on the capacity and viability of these co-operatives. However, the efficiency of the above two factors depends on the performance of the organizational structure, institutional support and measures followed to serve the artisans. This is the focal point of this study.

**Objectives of the study**

1. To assess the present marketing situations of handicrafts.

2. To examine the organizational setup and present functioning of handicraft co-operatives.

3. To evaluate the role of primary handicraft co-operatives in production and marketing of handicrafts.

4. To evaluate the assistance provided by apex to its member primary societies.

5. To analyse the problems and constraints in handicraft marketing through co-operatives.
6. To suggest methods to overcome defects in marketing handicrafts through co-operatives.

**Scope of the study**

The handicraft co-operatives of Kerala are as old as other co-operative organizations in the state. The handicraft co-operatives are categorised under the industrial co-operatives registered in the state. Therefore, the study concentrated on industrial co-operatives along with handicraft state emporia and private craft traders. There are a wide varieties of handicrafts produced in Kerala. (appendix I). But the following major groups of crafts are listed for their sizable share in total goods moved from co-operatives. They are:

1. Wood carving
2. Metal carving
3. Horn carving
4. Paper mache and
5. Cane weaving.

The scope of the study is framed to analyse the production and marketing techniques followed by handicraft co-operatives and also to examine the problems and constraints faced by these co-operatives.
Methodology

The study was primarily designed as an empirical one based on the survey method. Required information was collected from both primary and secondary sources.

Primary data

Though a detailed state-wide survey of the handicraft co-operatives, state emporia or private traders is beyond the scope of study, it was essential to obtain empirical evidence on the production and marketing measures adopted by co-operatives, state emporia and private craft traders along with consumers' opinion in general. Hence, data on these factors were collected through surveys conducted in selected areas of the state.

Sample design

The study was undertaken in three districts in Kerala, namely Thiruvananthapuram, Ernakulam and Thrissur. These three districts were selected on the basis of the high concentration of handicraft production in Kerala.

The study was undertaken at two levels. The first one was at the level of production and marketing units,
including primary and apex handicraft co-operatives, state handicraft emporia and private handicraft traders.

Among these units, the selection of handicraft co-operatives was done on the basis of following criteria:

1. The primary handicraft societies, who were having three years of frequent business with apex during the reference period.

2. The primary handicraft societies, who were having a share capital of Rs.20,000/- with apex during the reference period.

There were only 10 primary co-operative societies listed with the above criteria. Hence census method was adopted for the study.

All the 11 state emporia were identified in the listed three districts and therefore, the census method was adopted to survey the state emporia.

110 private traders were listed in the above three districts, engaged in handicraft marketing. Among them a sample of 20 per cent was selected for study. A purposeful random sampling method was adopted for selection.
At the second level, the survey was done among the consumers of handicraft products. For this purpose 100 consumers were selected consisting of 25 from primary co-operatives, 25 from state emporia and 50 from private traders. The consumers were selected by random sampling method.

Collection of primary data and tools used

Filed survey was conducted to collect data from production units and consumers. Five different types of structured interview schedules were used for primary handicraft co-operatives, apex federations, state emporia, private traders and consumers. The schedules were pretested with the help of a pilot survey in Ernakulam district and redrafted based on the experience of the pilot survey. The major variables collected through schedule survey included the awareness on types of production units existing in handicrafts, product modifications, designs preferred, purpose of purchase, quality, price difference by different sellers, channels of distribution, promotional measures, media coverage etc.

The structured interview schedules are given in appendix II to appendix V.
Oral interviews, discussions and participative's observations were also extensively used for collecting necessary data. Members, non members and officials of co-operatives were also interviewed in this regard.

**Secondary data**

Secondary data used for the study were obtained from following sources:-

1. Annual Reports of Primary handicraft and apex co-operatives.
2. Annual Reports of State Handicraft Corporation.
3. Reports of Directorate of Handicrafts.
4. Reports of District Industrial Centres
5. Published Documents of Export Promotion Council.
6. Report of All India Handicraft Board.
9. Journals, periodicals etc., dealing with the subjects

Data obtained from unpublished records of handicraft co-operatives were also made use for the study.

The collected data, both secondary and primary were jointly coded after editing and tabulated for facilitating analyses.
The study covers a period of 1951 to 1997. However, for the intensive analysis the time kept in view was five years from 1992 to 1997.

Analyses of data

The focus of the analysis of data has been on the basis of the production and marketing assistance provided by the handicraft co-operatives to its members. The market techniques followed by the state emporia and private traders were also analysed to compare the role of co-operatives in handicraft marketing. Consumers attitude and perception on handicraft products, price, distribution and promotion were also looked into.

To examine the share of handicraft co-operatives in domestic and foreign sales secondary data were analysed. A period of 5 years from 1993 to 1997 was taken for this purpose.

The role of primary co-operatives in production and marketing of crafts were analysed by using the following variables.

1. The total procurement by societies
2. Total sales by societies
3. Net working capital of societies
4. Inventory holdings by societies.
5. Assistance provided by societies
6. Channels followed for sales
7. Product selection, modification and branding and labeling for products.
8. Pricing techniques followed for craft
9. Distribution channels followed for crafts
10. Promotion tools used for crafts

Tools of analyses

For analysis of data, statistical techniques such as percentages, averages and ratios were applied. Ranking techniques were also used to analyse preferences listed in the schedule.

To find out product concentration of co-operatives in terms of sales, product concentration index based on the following formula were used.

\[ PCI = 100 \sqrt{\sum_{r=1}^{n} \left( \frac{Z_r}{Z} \right)^2} \]

Here PCI = Product concentration Index of the Kerala primary and apex handicraft co-operative societies.
\[ Z = \text{Total sales of selected fast moving handicrafts.} \]

\[ Z_{t,r} = 1, \ldots, n_1 \text{ Denoting sales of crafts under study in a given year.} \]

As per the formula the maximum value of index is 100 which occurs when the society concentrates production and sales in one item of crafts. If production is evenly distributed among various crafts the value of index will decline and reaches a minimum of \( 100 \sqrt{n} \).

Section A analyses the product strategies adopted by the co-operatives. The quality of products was analysed by constructing satisfaction index. The satisfaction Index (similar to Kerlingar, 1970) was constructed by selecting five characteristics, viz., raw material, colours, size, design and finish of the product. Opinion of all the three categories of sellers were collected on five point scale for each character and scores were attributed. The formula used to analyse the satisfaction index was:

\[ SI = \frac{\sum S_{ij}}{\sum \text{Max } S_j} \times 100 \]
Where,

\[ \begin{array}{ll}
SI_i & = \text{Satisfaction Index} \\
in & = \text{Respondent} \\
ja & = \text{Character} \\
S_j & = \text{Score.}
\end{array} \]

On the basis of the degree of responses towards the quality of the products the selected characters were grouped into two categories, viz., Average Quality and Standard Quality.

- The characters with a satisfaction index below 50 come under average Quality and

- The characters with a satisfaction Index above 50 come under standard quality.

This in turns would help to identify the salience determining the quality of handicrafts of different traders.

General brand awareness and labeling of handicrafts were also identified by aided methods.

Section B analysed the pricing of handicraft by different sellers and the pricing procedure followed by cooperatives.
The respondents opinion on the influence of pricing in buying behaviors for crafts was analysed by ranking the four parameters followed for the analyses.

The objective for pricing handicrafts were analysed by ranking the opinion of the respondents. The relativeness of the opinion ranked was measured under Kendall's coefficient of concordance using the below given formula.

\[
W = \frac{\sum D}{\frac{1}{2} K^2(n^3-N)}
\]

Where,

\( W \) = Kendall's coefficient of concordance.

\( N \) = Number of character

\( K \) = Number of Judges

\( D \) = Sum of the square of the deviation of \( R \) and \( \bar{R} \)

\( R \) = Ranks assigned by each respondent

\( \bar{R} \) = Mean of the Rank.

The Kendall's coefficient of concordance (\( W \)) is a measure of relation among several sets of ranking of \( N \) objects or parameters. The parameter for which the Sum of rank is minimum will be the most preferred parameter.

The price setting by each categories of respondents were analysed by simple percentage and the
reasons listed for price cut was analysed by ranking the parameters preferred by the respondents.

Section C examined the channel of distribution followed by each seller and the distribution measures of co-operatives were also analysed.

The channel preference was examined by identifying the percentage share of each respondents to their total sales.

The authenticity of selecting the channels were measured by examining channel efficiency. The channel efficiency of societies were examined under the channel profitability analysis.

The channel profitability analysis of Douglas, M. Lambert (1975) was followed to measure the channel efficiency. The segment (channel) controllable margin under the following formula was used to measure the channel profitability.

\[
\begin{align*}
\text{SCM}_1 &= \left\{ \begin{array}{c}
\text{SM} \\
\text{NS}
\end{array} \right\} + \\
\text{SCM}_2 &= \left\{ \begin{array}{c}
\text{MC} \\
\text{CS}
\end{array} \right\} + \\
&= \left\{ \begin{array}{c}
\text{ANC}
\end{array} \right\}
\end{align*}
\]
Where,

\[
\begin{align*}
\text{SCM}_1 &= \text{Segment controllable margin} \\
\text{SM} &= \text{Segment Margin} \\
\text{NS} &= \text{Net sales} \\
\text{SCM}_2 &= \text{Segment contribution Margin} \\
\text{ANC} &= \text{Assignable non variable} \\
\text{MC} &= \text{Manufacturers contribution} \\
\text{CS} &= \text{Cost of goods sold.}
\end{align*}
\]

The respondents exposure to (or awareness of) various promotional measures for handicrafts was analysed in section D.

The share of respondents exposed to different media was analysed by finding percentages.

Frequency of exposure to the media was determined by directing the respondents aware of a promotional strategy to state how often they had come across such strategy. Responses were collected on a three point scale i.e., often, occasionally and rarely with weights 3, 2 and 1 respectively. Based on this an index was constructed with following formula.
$K_x = \frac{\sum_{i=1}^{K} K_{ix}}{\sum_{i=1}^{K} K_{ix} \text{ Max}} \times 100$.

Where,

- $K_x$ = The index value of exposure for the promotional strategy x.
- $K_{ix}$ = The response score of individual I, showing frequency of respondent’s exposure to promotional strategy x.
- $K_{ix}\text{ Max}$ = The maximum score obtainable by strategy x from individual i.
- $k$ = The relevant number of respondents from the sample.

Awareness of the promotional measures for handicrafts in different states and awareness about the media for advertisement for co-operatives were analysed by using percentages.

The relative effectiveness of different promotional measures for handicrafts co-operatives were analysed by using following formula.
\[
Rej = \frac{\sum_{i=1}^{K} \sum_{x=1}^{n} P_{ij}}{\sum_{x=1}^{n} \sum_{k=1}^{K} P_{ij} \text{Max}} \times 100
\]

Where,

\(Rej\) = The relative effectiveness in index of promotional strategy ‘j’ for all product categories (\(X_1\).........\(X_n\))

\(\sum_{i=1}^{n} P_{ij}\) = The influence score of individual ‘i’ for promotional strategy \(x = 1\)’ for all product categories (\(X_1\).........\(X_n\))

\(\sum_{i=1}^{n} P_{ij} \text{Max}\) = The maximum influence score obtainable by the promotional strategy ‘j’ for all product categories. (\(X_1\).........\(X_n\))

\(K\) = Sample size.

**Limitation of the study**

The present study possesses the following limitations:

1. The quality of the answers in these types of studies will always depend on the background of the
organization and the amount of interest they take in it. It is, therefore, possible that some questions would not be answered as desired, despite of all efforts from the part of researcher.

2. Primary handicraft co-operatives and private traders are imprompt in their response. Since the accuracy of the information cannot be vouched the study may have been effected to that extent.

3. Since most of the co-operative units do not follow a scientific and uniform pattern of record keeping, it would be difficult to collect all the necessary data from the grass root level.

4. The study covers only the frequent moving products in the market.

5. Being a social theme this study is not free from the sample bias. However, earnest effort has been taken to make the study impartial and to make truthful inferences.

**Scheme of the study**

Chapter I - The introductory chapter gives a brief account of scope and importance of study,
the methodology used in collection and analysis of data, the objective of study and its limitation.

Chapter II - The review of literature is designed in this chapter. This chapter reviews analytical studies on handicraft from its origin as an industry to progress as co-operatives. Review on co-operative marketing and constraints were also included in this chapter.

Chapter III - This chapter covers the historical perspectives, origin and progress of handicraft industry in India and Kerala. The role of handicrafts in economy in terms of production, employment generation and export were also explained along with its share in small scale industries.

Chapter IV - The ideology of cooperation, origin of industrial co-operatives, principles of handicraft co-operatives and functions and objectives of handicraft co-operatives were explained in fourth chapter. The profile of handicraft co-operatives and their role in economy was also included in this chapter.
Chapter V - The results and discussion chapter highlights role of primary handicraft co-operatives in assisting members in production and marketing. This chapter also analyse the assistance provided by apex to its members in terms of production and marketing.

Chapter VI - This chapter analyse the study by examining the market techniques followed by handicraft societies in terms of product, price, physical distribution and promotion. A comparative study was done by analysing the performance of private and state handicraft emporia. The problems of the handicraft co-operatives were also looked into.

Chapter VII - Final chapter explains the findings of the study and lists out suggestions on the basis of the observation and analyses made.