CHAPTER -1

INTRODUCTION

1.1 COIR INDUSTRY:

Rural industrialisation has long history in India. The planning era in India with the first five year plan in 1951 clearly recognised the need for promoting small scale industries in rural areas in the early stage of development. Compared to many other developing countries, Indian plan model assigned a strategic role in rural industries in the development process of the economy.

Nearly three fourths of India's population live in rural areas and more than two thirds of the workers are engaged in agriculture and allied activities which provides employment only for 180 days.\(^1\) Moreover in the total industrial employment in the country, the large and medium industries hardly account for about 20 per cent employment, the remaining 80 per cent is accounted for in small and cottage industries.\(^2\) In this context, rural industries are regarded as the thrust area of employment generation.

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\(^{1}\) Krishna Kumar" Future of Industrialisation" Khadi Gromodyag - Vol XXXVII, No4, Jul 1991, P. 146.

The coir industry is one of the most traditional cottage industries in India. The word 'Coir' seems to have been introduced into the European literature by "MARCOPOLO" the Italian traveler in the twentieth century. Coir Ropes and Coconut fibre have been in use since ancient times. The history of coir industry is as old as 200 years. To be more precise coir went into the commercial way in the year 1859-60, when an Irish born American started the first Coir factory in Aleppy Kerala. Since then others followed suit.\(^3\)

The coir industry forms major segment of village and small industries sector in terms of production and employment. The spectrum of industries in India extends from the organised large and medium industries, small scale industries to new industrial ventures and unorganised traditional industries. The coir industry is very important in the national context because of the large volume of employment that it provides in rural area to the economically weaker section of the population.\(^4\)

The coir industry in India has its origin in Kerala, which is recognised as the home of Indian Coir industry where the raw material is abundant. The last three decades however witnessed rapid growth of the industry in states such as Tamil Nadu,

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Karnataka, Andra Pradesh, Orissa etc., Where the industry is mostly confined to extraction of fibre from raw coconut husk by mechanical decortication with the determinant effort, encouragement and assistance provided by the concerned state governments, Central government and the efforts of the enterprising entrepreneurs in these regions. Other coconut producing states also started efforts in bringing up the industry taking it as a rural employment programme with comparatively less capital investment.  

The production of coir goods in India is estimated on the basis of actual exports, trends in internal by rail/steams/roads and estimated consumption in the producing centre. The production of brown fibre has been steadily on the increase in India over the last few years. The major producers of brown fibre are the states of Tamilnadu, Andra Pradesh, Karnataka and Orissa. It is expected that the production of brown coir fibre in India during 2000 - 2001 would be around 2,36,000 metric tonnes, Tamilnadu with a production of 1,28,300 metric tonnes, more than 54 per cent of the total output is expected to emerge as the leading producer of brown fibre in the country with Karnataka following it.  


The yam production is expected to increase about 2,45,000 metric tonnes in 2000-2001 from the present level (1996-97) of 2,01,000 metric tonnes. This would result in substantial growth of the spinning and product sectors and creation of employment to 58,900 people. In view of the availability of natural rubber and brown fibre in abundance, there is scope for stepping up units undertaking rubberised coir based industries. It is estimated that 29,800 tonnes of curled coir is produced annually in India, out of which a major share is consumed domestically for the production of rubberised coir.

The marketing of coir products consists of domestic market and export market. The internal market for coir products has two segments namely household and institutional sectors. Traditionally coir and coir products are marketed within the country largely by private traders. The expanding role of cooperative societies in developing the internal market for coir yarn, since cooperative movement took birth in coir sector is commendable. Large quantities of coir and coir products are despatched from the producing centre in Kerala, Tamil Nadu and Karnataka, by rail and road. Movement of coir goods by lorries and trucks is on recently. The production of coir yarn in India on an average in 1995-96 is estimated at 88900.

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tonnes, out of this consumption of coir yarn in India is placed at 75,250 tonnes about 85 per cent of coir yarn. Only 40 per cent of the indigenous of coir door mats and matting etc., is estimated to be consumed within the country, the product being 27,200 tonnes. Coir rope which has a number of commercial uses is another item produced by the Indian coir industry and it is estimated to be 36,000 tonnes. Except small quantities being exported the entire production or rubberised coir products (14700 tonnes roughly) is consumed in the domestic market.

Bulk of coir yarn for consumption in different parts of the country comes from Kerala, the home of Indian coir industry mainly from two sources viz., Private manufactures/dealers/ and state coir cooperative marketing federations. The Coir Board has a net work of 30 showrooms and sales depots in different parts of the country actively engaged in the distribution of coir door mats and floor coverings. The household sector in India still remains an unexploited market segment as far as coir products are concerned.

India is the largest exporter of coir and coir products in the world market. Sixty per cent of the total production of coir from India is exported in the form of coir fibre, coir yarn, coir mat and mattings.

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rugs, mover socks, rubberised coir, geo textiles, cocologs and coir pith. According to Indian export destinations about 67 countries all over the world import coir and coir products. The markets which offer greater potential growth are USA, European countries, former USSR, Latin American countries, Japan, South Korea and Canada. USA is the single largest importer with the share of 19 per cent and European countries put together import 68 per cent of the coir exported from India.9

The Indian Coir products are in demand because of various attributes viz., (I) fitness for purpose, (ii) Price, (iii) natural products, (iv) Quality, (v) attractiveness. The price competitiveness as well as the environment friendly nature of the products from India. Coir export had been showing an increasing trend during the last five years which had been stagnating for over the last two decades. A number of factors are responsible for this positive development. The growing awareness in favour of environment friendly, bio degradable and polluting products provides a reasonably good opportunity and potential for Coir products.

The trend in export of coir and coir products from India over the 4 decades beginning from 1950-51 revealed that average annual export of coir had a declining trend. It declined to 45700 tonnes

during 1970s from 62300 tonnes in 1960s and further declined to 26,800 tonnes in 1980. During 1989-90 it touched to about 27458 tonnes.

The beginning of 1990 witnessed an increasing trend in export. Export started picking up steadily and there was a quantum jump in export from 27,926 tonnes during 1990-91 to 37591 tonnes in 1993-94. A major change that has happened in the Indian coir export area is the change in Minimum Export price (MEP). With the consequence of globalisation and liberalisation of the Indian Economy the coir Board introduced MEP scheme in 1996. The introduction of MEP ensured better realisation to the exporters. Under the new policy, embellishment has been taken out of the purview of MEP and also certain products like powerloom products and geo-textiles\textsuperscript{10}.

1.2 INDUSTRIAL COIR COOPERATIVES

In rural areas, individuals are not having adequate capital to start industries. Besides, in rural economy of India where the production units are numerous but small and scattered, no meaningful programme of economic assistance can be successfully operated if it attempts to approach the small units individually. By providing the industrial structure for organising the dispersed units and through its emphasis on distributive justice, the cooperative

\textit{Ibid - PP 27-29.}
form of organisations renders it possible to have economic development with the actual participation of small producers and workers in economic development.

Industrial cooperatives have been organised with two objectives in view, namely economic and social objectives. The economic objectives of these societies are creation of employment opportunities, increase in production and productivity, competitive capability and acceleration in the form of capital formation. Among the social objectives, the most important are the safeguarding of the interest of the poor sections who are exploited by rural rich, and the diffusion and disposal of wealth\(^{11}\).

In order to promote the development activities of industrial cooperative societies, the government has set up various committees, Boarding and working groups. The committee on Small and Village Industries to indicate proper utilisation of plan allotments for industrial cooperatives. Between 1952 and 1957 six all India Boards were set up to properly plan the development of industrial cooperatives and other small units. These were Khadi and Village Industries Commission, All India Handloom Board, All India Handicrafts Board, Coir Board and Small Scale Industries Board. The

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boards were set up to promote and coordinate the activities of the various type of village and small scale industries.

The cooperative industries have also benefitted with the organisation of these boards. These agencies were to give specialised care and guidance to the needs of different industries, for example, designing technical guidance, quality control use of improved practices, training, survey and research. The government has further helped these cooperatives by encouraging the establishment of emporium and sales depots for handloom, coir, handicrafts and village industries, products.

Since the beginning of the emergence of industrial cooperatives, there has been an emphasis on the development of village and small industries on a cooperative basis. The emphasis in the development of village and small industries is primarily due to their manifold advantages in an economy like India. These industries can generate large scale employment opportunity and can be set up with a small amount of capital. They can mobilise local resource both men and material for productive purpose. They can produce goods and provide services to meet the local demand. Above all, they can be effective instrument for the promotion of local entrepreneurship.
The history of coir industry reveals that from the very inception, the industry was in the clutches of private manufacturers and traders. They exploited the workers by paying low wages. With a view to putting the coir industry on a sound basis and protecting the small producers from the exploitation from the middleman, several efforts committee such as the "Panel of coir rope" cordage and other fibre industries, the Unemployment Enquiry Committee and the Advisory Committee on Minimum Wage had all stressed the necessity of organising the coir industry on cooperative basis. As per the recommendations of the above committee, a number of societies in different process of coir industry were developed in Kerala. Subsequently a number of industrial cooperatives were started for production and marketing and to impart training to workers in Tamil Nadu, Karnataka, Maharastra, West Bengal, Assam, Andrapradesh etc., 12

The coir workers faced the problems of unemployment and underemployment in most cases. In order to protect the interest of the workers, the Government of India introduced the scheme of cooperativisation during 1950-51. The objective of the scheme was to ensure higher wages and better employment opportunities to the workers thereby liberating them from the clutches of private

producers and middleman. After the introduction of the scheme of cooperativisation in the coir sector both the central and state governments gave attention to the development of the industry through the organised sector viz., cooperative sector. Invariably all five year plans contain provision for the implementation of the various schemes for coir development in the cooperatives sector through the government agencies in the coir sector viz, the Coir Board, the Directorate of Coir Development, Coir Federation, Kerala State Coir Corporation Limited and the Foam Matting Limited.

The coir industry has been organised primarily on cooperative basis. There are at least three different types of cooperatives developed for coir industry. They are 1) collection and distribution of husks, 2) for production of yarn, mat and mattings and other products, 3) for marketing the products.

The marketing societies play a commendable role in marketing the coir products competing with private products. The effect of bulk of the sales within the country although the societies in Kerala have to their credit commendable achievements in the exports of coir goods. The Coir Board is the implementing agency for development programmes of the coir industry. The Board has been assisting these cooperatives in various ways particularly by supplying them market informations and by conducting research.
1.3 STATEMENT OF THE PROBLEM

The economic viability of the coir cooperative units depends on aspects like full employment for all working members, optimum productivity, adequate turnover and working capital. There are number of related studies in nearby states which provide valuable information about the working of coir cooperative societies.

A Study of Vijaya Chandran pillai (1998)\(^\text{13}\) in Kerala revealed that cooperative coir societies had a low capacity utilisation in production as compared to the private units. Similarly a study in Andrapradesh (1995)\(^\text{14}\) revealed that the coir cooperative units had lack of infrastructure and low rate of employment. Similar points expressed by Amblikumar (2000)\(^\text{15}\) in Kerala explained that the productivity of labour declined because of the absence of mechanised ratts. And also non availability of enough working capital affected the working and profitability of the coir societies.

The coir cooperative societies are mainly concentrated in Kanyakumari, Tanjavur and Madurai District of Tamil Nadu. In


recent years they have been facing frequent losses and in cases of continuous losses, they are forced to close. In this juncture, it is necessary to study the causes for the loss of these cooperative coir units. From the available data, it is observed that the causes may be due to non availability of raw material, higher price of raw materials, labour problems and shortage of finance. In this content the study focuses on unearthing the reason for losses in coir cooperative units and finding out the most important factor. An attempt has been made to analyse the performance of coir cooperatives in Tamil Nadu. The key issues that need to be addressed are

- Whether the raw materials are available adequately and are continuously supplied to the cooperatives societies.
- Whether the societies have a consistency in production;
- Whether the societies have a remarkable turnover;
- Whether they have adequate finance for healthy operation;
- Whether the societies provided employment opportunities regularly to the workers.
- Whether they are working with profit.

The study by finding answer to these issues would make an attempt to evaluate the economic status of coir societies.
1.4. OBJECTIVES

The specific objectives of the study are

(i) To study the growth and development of coir cooperative units in Tamil Nadu;

(ii) To review the performance of the coir cooperatives in selected districts of Tamil Nadu;

(iii) To find the factors influencing the effective performance of coir cooperatives in study districts;

(iv) To review the problems faced by the coir societies in Tamil Nadu;

(v) To suggest concrete measures for raising the economic status of coir cooperatives.

1.5 HYPOTHESES

i) The growth performance of employment generated by the coir cooperatives in Tamil Nadu is much more than other variables; such as Production, Sales, Finance;

ii) The role of input elasticity of labour is more effective than the function of capital to raise the level of production in coir cooperatives,

iii) Sales is the important factor influencing the profit level of coir societies in the selected study districts.
1.6 CONCEPTS

Bye-law

The bye-law of industrial coir societies are the regulations and rules for the internal management of affairs and how it conduct its business. They are framed for the purpose of carrying out the aims and objects of the society. They provide duties and powers of managing committee and of the societies.

Coir Fibre

Coconut husk is the basic raw material for the coir industry. There are two methods employed for extraction of fibre from coconut husk. The fibre obtained from the retted husk is known as White fibre”. The fibre taken from the dry semi dray, green husk after soaking them in cement tanks for a period of 7 to 10 days in known as Brown fibre. Industrial units extract coir fibre from green husk with the help of combining machines and other mechanical devices.

Coir Yarn

Coir yarn is a semi finished raw material which is spun out of coir fibre. The coir yarn may be of three types viz., single ply yarn, two ply yarn, and three ply yarn. Single ply yarn is wheel spun yarn consisting of only one ply spun from coir fibre. Two ply yarn is a wheel spun yam consisting of two plies, spun from white fibre and brown fibre. The important characteristics by which the quality of
coir yarn is judged are its colour, absence of impurities, fineness, texture and type of fibre used.

Three ply yarn, a very thick variety is also called "Muppriyarn". It is defined as wheel spun yarn consisting of three plies spun from coir fibre. The three ply yarn is also known by special names such as "Airmal" Balamony, special coir etc.

Coir Rope

Coir rope is made up of three or more strands, the strands themselves being an assemblage of yarn twisted together. Coir rope originates from Malabar and Trivandram in Kerala.

Rubberised Coir

Rubberized coir needs brown curled coir fiber as basic raw material. The rubberized coir is used in automobile sector for seat and back cushion and mattress.

Mat and Mattings

Mat and mattings are woven on handlooms. Similar to these used in the textile industry. For weaving the product firstly, the coir yarn is sorted out according to scourge, color etc., Hanks of uniform quality are the special together to obtain continuous lengths. They may be classified into four types;
1. brown mats,
2. fibre mate
3. matting mat and
4. various speciality mats like sinnet, coir or rope mats made on boards of frames using braids or ropes.

Primary Society

Primary society means a society which is engaged in the process of retting of husks, extraction of coir fibre, and spinning of fibre into coir yarn by hand (or) spindle.

1.7 METHODOLOGY

1.7.1 Sample Design

The study is confined only to the cooperative sector in Tamil Nadu. A total of 73 coir cooperative societies are working in Tamil Nadu. Three districts have been identified for the study. The study districts are; Kanyakumari (11), Tanjavur (10) and Madurai (7). The criteria followed in selecting the study districts is the large number of coir cooperative societies functioning in the districts. The study districts cover 37.3 percent of coir cooperative units in Tamil Nadu. Of the total 28 societies in the selected districts, only 24 cooperative units are working at present. So, The 24 societies are considered as sample units for the present study.
1.7.2 Sources of Data

The study has been designed to use secondary data. The data relating to production, sales, employment, finance, raw material and profitability were obtained from the Directorate of Industries and Commerce and record maintained by the respective coir societies.

The analysis for growth and development of the entire 73 societies in Tamil Nadu covered a period of 10 years from 1990-91 to 1999-2000. As far as the sample societies is concerned, the study covered a period of only 7 years from 1993-1994 to 1999-2000, as some of the units (4 societies) started their operation after 1991-92. Further, number of working units at present were under dormancy during 1990s. This is the reason why the researcher could not take a 10 year period of study.

In addition to this a structured questionnaire-cum-schedule has been canvassed to all the secretaries of the coir cooperative units. The schedule covers the problems of production, marketing, finance and labour. The purpose of the schedule was knowing the major problems of the coir units and giving them rank.

1.7.3 Frame work of Analysis

For analysing the changes in the economic variables such as production, raw material, sales, employment, finance and profitability of the coir societies in Tamil Nadu as well as sample units, the
annual compound growth rate is analysed. Further trend value is also fitted to find the trend of the above variables during the study period. For these two analysis, simple regression model has been taken.

Multiple regression model is used to analyse the production function to fit into cob-dugluss form and to analyse the performance of the sample coir societies in terms of factor influencing profit and loss. This model would also be helpful to identify the productivity of different factors and evaluate the performance of the societies.

1.8 SCOPE OF THE STUDY

Coir societies play an important role in providing the employment of rural poor. The present study is an indepth attempt which comes out with an economic analysis of coir societies and their operational behaviour. The major findings on the realities of the coir societies at grass root level, the suggestions and policy implication of the study would be helpful to the operation of coir societies, policy makers and the Government. This would enable them to devise strategies and approaches for the sustained growth and development of this agro-based industry.

1.9 LIMITATION OF THE STUDY

The study has been limited to a period of seven years. The researcher was forced to take this time period, as systematic data
was not available for earlier periods. The societies have maintained records from this period onwards continuously, although the societies were started much earlier.

While analysing the society's operation, the total production and sales of the societies could be expressed only in terms of its value and not in physical quantities. This is because the societies were producing different products. Hence it is impossible to measure them in one uniform measure and there are different prices for different commodities at different periods. Hence, no suitable single index could be evolved for adjusting prices.

1.10 CHAPTERISATION

The thesis is organised into six chapters. The first chapter provides a brief introduction, statement of the problems the objectives and methodology of the study. The second chapter reviews the past studies and literature of coir industry, industrial cooperatives and coir cooperatives. The third chapter presents the profile of the study units and study area. The fourth chapter analyses the growth and development of coir cooperatives in Tamil Nadu. The fifth chapter involves the analysis and discussion of the coir units in study area. The sixth chapter summarises the findings and suggestions of the study.