Chapter VI

PROBLEMS OF BOOK BINDING INDUSTRY
IN KERALA

Book-binding industry which had flourished for more than six decades finds it difficult to survive today due to a number of problems. With the opening of new markets in neighboring states like Tamil Nadu, Maharashtra and Gujarat, our products lost many of their major markets with the result that the profitability of these binding units have reduced. Majority of the binding units are still small in size with limited financial resources and hence they will not be able to withstand the stress and strain for a long period and will be forced to discontinue and close down in the immediate future. Hence an attempt is made to identify the problems and constraints facing the book-binding industry in Kerala.

There are nearly 200 registered small scale units and equal number of unregistered binding units. All Kerala Exercise Book Manufacturer’s Association based at Kunnamkulam has a strength of 144. These figures exclude skilled labourers running the business from their houses and their presence in this field is significant. They operate on piece-work basis and since the remuneration depends on the output, large quantities are coming out from this segment. A random survey made on 44 registered units which includes 28 medium, five large, seven small, four piece units is selected and divided into 3 segments large, medium and small scale units, disclosed the following problems and constraints faced by them.
6.1. TECHNOLOGICAL PROBLEM

Use of obsolete technology is the main constraint faced by the sample units under survey. The level of technology is outdated. 80% of the units under study continues to be family concerns and are not properly organized. Sentiments to maintain the units is the only motive force in maintaining the units and in almost all the cases it may be seen that the family members themselves constitute the labour force of these single small unit. The notable change that has taken place over the years is the partial replacement of it through machine. On account of the use of outdated machines, their cost of production is high and the quality is inferior as compared to large-scale units. Existing binding units also do not care about the changing tastes and fashions of the people. Accordingly modernization and rationalization are urgently required in these binding units. This technological stagnation can be removed only through technological improvement by producing competitive products (qualitatively), by reducing cost of production. These binding units must improve themselves by taking up new product lines in response to the changes in attitudes and fashions of the people. Of the 44 units visited, all the five large scale units are having new technology, but the medium scale binding units are still with their old technology. Out of 28 units visited only two units are having electronic binding machines which will reduce cost and labour to some extent. The small-scale units are using only one or two machines as they are doing piece-work job for which manual labour is required.
Table 6.1

Usage of modern technology by large, medium and small-scale sample units

<table>
<thead>
<tr>
<th>Year</th>
<th>Large No. of units</th>
<th>Medium No. of units</th>
<th>Small No. of units</th>
<th>Total No. of units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>L</td>
<td>M</td>
<td>L</td>
</tr>
<tr>
<td>1998-1999</td>
<td>2</td>
<td>3</td>
<td>-</td>
<td>28</td>
</tr>
<tr>
<td>1999-2000</td>
<td>2</td>
<td>3</td>
<td>-</td>
<td>28</td>
</tr>
<tr>
<td>2000-2001</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>2001-2002</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>2002-2003</td>
<td>5</td>
<td>-</td>
<td>3</td>
<td>25</td>
</tr>
</tbody>
</table>

M – Mechanised
L – Labour intensive
Source: Sample survey.

From the table it can be seen that most of the units under study are adopting Labour-intensive techniques without introducing advanced technology and electronic equipments. Most of the binding units in Kerala are started by the profit minded (entrepreneurs) traders. They employed the minimum of machinery and typical of the attitude of the proprietors, continued to be so, in spite of the growing need to modernize. They adopted only those items of machinery which saved labour and reduced wages-cost, when it became most urgent. Effects aimed at quality improvement were not made.

6.2 INCREASING COST OF RAW-MATERIAL

Increasing cost of raw material is another problem. The major component of input of binding unit is paper. The scarcity of paper has
increased and its price also reached at the peak level in recent years. The collection of paper is made from outside state and supply to retailers at high prices. The paper industry itself is suffering from high cost of production, scarcity of raw-materials, problems of royalty and leases, growing sickness of small and medium paper units and serious shortfall in the production of newsprint. These problems will indirectly affect the cost of paper which will have an impact on the binding units also. It is estimated that the average annual requirement of paper in factory at Kunnamkulam is roughly 24 lakh tones in 2000-2001. These highlight the need for discovering further sources because, according to industry estimates, demand for paper including newsprint increased at a compounded annual growth from 47 lakh tones in 1997-98 to over 52 lakh tones in 1999-2000. The silver lining has been that in the past few months, international prices for pulp and paper have hiked up. The increase has been largest in case of industrial paper. Consequently domestic paper manufacturers are increasing prices too.

From October to August 2000, price of writing and printing paper has increased by 15 percent although international prices have came down. Paper manufacturers consider it as a temporary trend. In order to improve the condition of paper industry, steps must be taken for higher capacity utilization through renovation and modernization of large mills. Moreover paper mills have to introduce plantation forestry in order to meet its scarcity of raw-materials.

Majority of the binding units depend on local sources for their raw-material requirements. The local traders often supply paper on the condition
that the binders will sell the books to them when it is ready. Thus the binders are subjected to exploitation at the hands of the traders. The traders sell paper to them at high prices and purchase the ready book at low prices.

6.3. PROBLEMS OF MARKETING

One of the main problems faced by the binding units is in the field of marketing. Marketing problems may be due to:

i) Frequent demand reduction: Frequent demand reduction is due to the fluctuating and seasonal nature of binding industry, which is affecting the binding units heavily. This problem can be faced by diversifying the area of production into the manufacture of cards, diaries, files, paper bags etc.

ii) Competition from large units: Regional competition and competition within the industry is another problem faced by these binding units. The large scale and medium scale units are always dominating the market, not allowing the small scale units to enter the market directly. Even government requirements are taken by them on contract basis and only a small portion is given to small scale units.

iii) Competition from units in other States: Of the annual requirements in our State, only 50 per cent is met by home industry. The rest is earning from neighbouring states such as Tamil Nadu, Karnataka and Andra Pradesh at competitive prices. This is affecting our
home market. Due to high cost of paper and other expenses, the price of the books may be higher in our State.

iv) Absence of knowledge about the markets: There is no proper information system and most of the binding units are not aware of their own potentials. The Victory Paper Board Pvt. Ltd. is working only up to 50 per cent capacity level and if we can make it as 100, the paper requirements of our home market can be met satisfactorily. But unaware of our own resources, the units are depending on neighbouring states for our paper requirements.

These units often do not possess an organized marketing system and consequently their products compare unfavourably with the quality of the products of the large-scale industries. Therefore the medium and small scale units suffer from a competitive disadvantage compared to large scale units within the same industry. Because of the shortage of capital and financial resources, these units do not have adequate staying capacity and are forced to sell their products at unremunerative prices.

The main methods of marketing by the binding units are the following:-

- Selling through dealers
- Direct selling
- Through commission agents

Most of the small scale manufacturers do not have direct contact with consumers, but only through dealers stationed at all important centres of
consumption. The dealers buy, stock and sell among the consumers on small scale and large scale basis. The dealers get credit arrangement from large scale binding units. The advantage of marketing through dealers is that units will get a ready outlet for their products, it will increase sales and reduce overheads and timely market information is obtained. But the disadvantage is that the dealer exercises an upper hand, as the producer does not have direct contact with the customers. The dealer purchases the books when price is low and sells when the same is high. However large fifty percent of the medium scale binding units under study prefer to maintain the system of selling through dealers. The dealers will also provide financial assistance if required as most of the dealers are financially sound.

Under direct canvassing the manufacture himself tours in various centers, canvass orders, come back, produce books or their registers according to the specifications and send them to the consumers. This method eliminates exploration by intermediaries. The small medium scale binders prefer direct canvassing than dealers. The main advantage of direct sale is that it eliminates intermediaries, maintain contact between producer and consumer which enables production according to the performances and tastes of the consumer and there will not be any delay in production as the binder is aware of the schedule of supplying the books. The disadvantage is that the cost of direct selling is high and the area of sales will be limited as production and marketing are handled by the manufacturer and there will be an increase in the amount of bad debts and dues.
Table 6.2

Small Scale Binding Units of Kerala - Break-up according to marketing links in large, medium and small scale units

<table>
<thead>
<tr>
<th>Methods</th>
<th>Total No. of units under study</th>
<th>Large</th>
<th>Medium</th>
<th>Small</th>
<th>Piece units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealing with dealers</td>
<td>44</td>
<td>5</td>
<td>3</td>
<td>28</td>
<td>14</td>
</tr>
<tr>
<td>Dealing with agent</td>
<td>44</td>
<td>5</td>
<td>2</td>
<td>28</td>
<td>12</td>
</tr>
<tr>
<td>Direct sales</td>
<td>44</td>
<td>5</td>
<td>-</td>
<td>28</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Sample survey.

Commission agents are very rare in binding units as only large scale binding units can afford to have it. Those large scale binding units who do not like to sell on credit may appoint commission agents at all important centers to canvas direct orders for cash sales. The agents do not stock the note books nor pay the price, but only canvasses businesses for the large scale binding units. The advantage of this method is that the funds of the binding units need not lock up with its dealers and the agent is also not required to make no investment in his business. The disadvantage is that this method is suitable for sales within the state and thus the sales by this method will be very limited.

The market for books may be divided into three areas such as home market (within the Kerala state), external market (market outside Kerala state) and export market. Due to the wrangle of home market, the marketing of books have become quite complicated. We lost a considerable portion of our
external market and 20 to 25 percent of the production is sold outside Kerala. The factors responsible for this unenviable state of affairs are:

1. High labour cost in Kerala compared to other states such as Tamil Nadu and Maharashtra

2. Increased transportation cost also raised the selling price, which affected the trade within our home market. The units are fearing threat of competition from imports, further rise in cost and selling price.

3. The advent of information technology has increased the popularity of paperless transactions. This makes it all the more important to redefine the role of binding units in the new economy which will have a direct influence on paper industry also.

6.4. FINANCIAL PROBLEMS

The scarcity of finance and credit is the main obstacle in the efficient working of the binding units. The capital base of the small and medium binding units is usually very weak since they generally have partnership or single ownership. The binding units either run their business with whatever little capital they possess or take credit from local financial institutions or from the large-scale traders who supply raw-material to them. Such credit is obtained at high rate of interest which will increase their working capital requirements. Thus the profit earned by them is not enough for investment purposes.
The financial performance analysis made on the sample units revealed that compared to large scale units, the medium scale units are much liquid and their financial position is satisfactory. There is no increase in fixed capital which is due to lack of finance availability. Most of the units are reluctant to introduce modern technology due to non-availability of adequate finance. The long term solvency position of the units are not at all satisfactory because total liability is much more higher than total assets.

Book-binding industry can be activised by the adoption of modern technology which is cost effective and which can also enable the industry to diversify into areas of modern technology. But the basic problem responsible for lack of modernization is non-availability of adequate finance. Even though the banks and other financial institutions are ready to support these binding units with adequate financial help, the proprietors are not ready to take loans either medium term or long-term and to invest in electronic machines.

6.5. COST OF LABOUR

A high rate of wages is a common problem in Kerala which is equally applicable to binding industry also. The medium scale units and small scale units are not coming under Minimum Wages Act as most of the units are providing only piece-rate. On the basis of the survey made, both in medium and small scale sample units, there is no constant increase in labour cost, but when compared to other neighbouring states, like Tamil Nadu, Karnataka and Maharashtra, the rate per labour hour is quite high. Immobility of labour is a highly disturbing factor which is responsible for slow pace of development in
these business units. Imparting proper education and training to workers engaged in these binding units will change the present situation.

The economics of book binding industry based on the sample units revealed that there is no considerable increase in labourers employed in binding units and also the rise in wage rate was not acute compared to the rise in the cost of other inputs. Around 10,000 labourers find a living directly or indirectly from this industry. The average wages is 52 paise per book. This is relatively high compared to neighbouring States like Tamil Nadu, Andra Pradesh and Karnataka, where the labour force is very cheap.

As binding industry is labour-intensive in nature, the efficiency of manual labour is an important factor to be considered. As most of the binding units are family oriented ones, there is no chance for an outside labourer, who may be highly skilled. Labour cost is not increasing constantly, but most of the binders in the home market is going outside the state, where they will be provided with high rate of wages and amenities. Labour problems like strikes and lock-outs arising from strained industrial relation over issues like wages, bonus, etc. are not prevalent in binding units because most of the binding units are family based.

6.6. LACK OF STANDARDIZATION OF BOOKS

There is no standard pattern or design either in the quantity or quality of work. Different variety of books are being produced with different quantity, size and quality of pages. Even there is no standard colour or design in the cover of these books. Thus there is tough competition within the binding units itself. Most of the small scale units often do not care about the
changing tastes and fashions of the people and they do not produce quality design books. This is due to shortage of capital. If there is a standard pattern for the production and sale of books, competition will not affect them.

6.7. ORGANISATIONAL PROBLEM

In book-binding industry there is no well defined organisation pattern or structure. It belongs to the unorganized sector. There is no classification of workers into skilled and unskilled workers following rigid rules. The proprietor does most of the administration work by himself. Out of the 28 medium scale sample units surveyed-50 percent of the binding units were controlled by the family members only. They themselves collect the raw-materials, make necessary arrangements, supervises and do the labour work too. In small-scale sample units they are doing only the piecework given to them by medium and large-scale units. Here also a structured pattern of organisation is not required. Because of this reason efficiency is becoming a hope only, and proper management of working capital is also becoming near impossible. As the binding units belong to the unorganized sector, there is no need of a structural control which will effect the overall efficiency of the units.

6.8. COMMON MARKETING AGENCY

Another problem of book-binding industry is the unhealthy competition between small, medium and large-scale units. There is no common marketing agency to control. The large-scale units are directly giving the job work to small-scale units, which is usually given to the medium scale units who will indirectly transfer the job work to small units. Because of
this tendency, now medium scale units are in trouble. ‘TRIVENI’ books were introduced as a part of co-operative effort, but all the tenders are taken over by large-scale units and there is no impact of co-operative movement. Through co-operative societies a uniform pattern of sales can be effected to a great extent and small-scale and medium scale units can be saved out of the clutches of large scale units. Even if such co-operative effort is there, due to competition between large-scale and medium scale units, such an agency is not effective at all.

6.9. LIMITED SCOPE FOR EXPANSION AND DIVERSIFICATION

There is limited scope for expansion and diversification in this field. In order to face the demand reduction in binding industry, product diversification may be made. Under the initiative, leadership and supervision of the manufacturers association, innovations can be made in binding itself. Consumer’s interest should be considered and new areas can be started i.e.; manufacturing of school diaries, yearly diaries, record books, etc. In case of binding spiral binding, costly leather coating binding, velvet cover binding, etc. can be introduced. But most of the binding units are concentrating only in the production and binding of note books by which expansion will become only a dream and there will not be any chance for diversification also. Much arguing and unresponsive production pattern is still employed by our binding units. They can switch on to the production of plastic files, paper bags, identity cards, diaries etc.
6.10. SEASONAL NATURE OF THE INDUSTRY

Because of the seasonal nature of binding industry half of the year binding units are having very less work to do. From January to June all the binding units are having heavy work schedule and with the re-opening of schools and colleges their main activity of note-book binding is over and most of the binding units will change the casual workers also from the units. From July to December those workers who are removed from the units will have to depend on some other jobs which is not possible. Thus most of the workers are shifting from these binding units to some other specified jobs even if it is outside the state. When we look into the profitability of the concern, the period from July to December, is also not satisfactory. To get rid of this problem, again these binding units can diversify their activities into different products which will be beneficial to both entrepreneurs and workers.

During July to December, these binding units can diversify their activities into the production of Christmas stars, computer stationery, spiral note books, plastic files etc. Now-a-days, each season account for market exploration in the production of greeting cards such as fathers’ day, mothers’ day, Onam, Christmas, Valentines day etc. Thus the seasonal nature of industry can be made fruitful by diversification.

6.11. BURDEN OF LOCAL TAXES

Most of the binding units are tax burdened. If the binding units are collecting paper from Tamil Nadu, i.e.; if inter-state sales are made central sales tax @ 4% is charged on such sales. The binding units in Kerala are required to pay general sales tax again in home-market. Thus if paper is
purchased from outside Kerala, extra taxes are levied which will not be beneficial to the binding units. If the books manufactured in Kerala are to be sold at Karnataka or Maharashtra, the binders should pay entry tax also which will be a further spoke to them. For books there is no sales tax but on paper there is. Because of this reason, the paper marts are now producing books and selling it. Thus we have to find out paper resources in Kerala itself, to get rid of these taxes.

6.12. IMPERFECT KNOWLEDGE OF MARKET CONDITIONS

Of the sample survey made, 50 percent of the sample units are unaware of the changing market conditions as most of the binding units are undertaking jobs entrusted to them by large scale units. Direct sales are made only by 25 percent of the units under study. Only through direct sales market conditions can be analysed and can make changes in the present situations. Consumer oriented market is awaiting and the buyers are ready to pay a high price if the quality is good. Thus consciousness regarding the present market conditions is required for the effective planning of situations. Introduction of an efficient information system will be helpful.

6.13. MANAGERIAL PROBLEMS

Managerial problems may be due to absence of education for proprietors and managers, absence of technical background, lack of managerial qualities, lack of entrepreneurial qualities, lack of aptitude for research, ignorance of social change etc. The entrepreneurs of the binding units are very poor managers. Most of them are ignorant of the changing
6.14. COMPUTERISATION MAY BECOME A THREAT IN FUTURE

By the introduction of information technology, an indirect effect on binding industry can be foreseen. In spite of the benefits derived from computers, for preservation of records, it has resulted in disappearance of paper records and thereby the requirement of binding is avoided. Kerala—being a state of literates, the number of schools, government, private aided schools, unaided schools and other than state syllabus is increasing from year to year. Even though in offices and banks and other institutions computerization may be a challenge for binding registers, bill books and diaries and record books, in schools the need for note books is increasing. A table representing the number of schools in Kerala is given below which will give a clear picture of the need for note books.

Table 6.3
Number of schools in Kerala

<table>
<thead>
<tr>
<th>Year</th>
<th>Aided Schools</th>
<th>Government Schools</th>
<th>Unaided Schools</th>
<th>CBSE ICSE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-99</td>
<td>9782</td>
<td>5809</td>
<td>810</td>
<td>314</td>
<td>16715</td>
</tr>
<tr>
<td>1999-00</td>
<td>9814</td>
<td>6673</td>
<td>846</td>
<td>318</td>
<td>17451</td>
</tr>
<tr>
<td>2000-01</td>
<td>9818</td>
<td>6662</td>
<td>852</td>
<td>356</td>
<td>17688</td>
</tr>
<tr>
<td>2001-02</td>
<td>9850</td>
<td>6690</td>
<td>829</td>
<td>410</td>
<td>17779</td>
</tr>
<tr>
<td>2002-03</td>
<td>9860</td>
<td>6695</td>
<td>828</td>
<td>439</td>
<td>17822</td>
</tr>
</tbody>
</table>

Source: Sample survey.
Total number of schools in Kerala state amounted to 17,822 and on average there will be students amounting to 59,00,000. Thus the total requirements for books will be 5,90,00,000 or 6,00,00,000 (assumption of 10 books per student). If the binders are real entrepreneurs, the binding business will have a steady future even though computerization may reduce the use of binded registers, pay rolls, bill books, etc.

A number of solutions have been suggested for the problems faced by this traditional industry. The formation of a common agency for buying paper and for marketing note books can be made effective. The problem of finance can be removed by reliance on borrowed funds. Introduction of essential technological improvement is also required. The problems mentioned above are common for any business unit. The success of an entrepreneur lies in boldly facing and surviving these challenges. The binding units in Kerala are started by the profit minded small traders and they employed the minimum of machinery and typical of the attitude of the proprietors, continued to be so in spite of the growing need to modernise. They adopted only those items of machinery which saved labour and reduced wages cost, when it becomes more urgent. So the units found themselves out of the run in course of time.

Considering the importance of this traditional industry, suitable steps should be taken to remove all these weaknesses from which these industries suffer. The existing binding units with its inherent dynamism needs to be given vital inputs to boost its performance. The promotion of these small-scale units will ensure greater participation and wider diversification of the production process and ensured dispersal throughout the country.
6.15 PROSPECTS OF BOOK BINDING INDUSTRY IN KERALA

The requirement of note books varies from year to year and hence a precise estimate of the requirements of binded note books is rather difficult. The study shows that during 2002-2003 the seasonal requirement for notebooks amounted to 300 crores of which 80 percent is produced in our state especially concentrated at Kunnamkulam of Thrissur District. The note books manufactured in Kunnamkulam is not having market outside Kerala. Only if changes are made in Government formalities, it can be marketed outside Kerala. The dealers are of the opinion that if they involve in business outside Kerala by making arrangements of ‘C’ form etc, it will not be beneficial for them.

Initially, after seasonal sales binding units are engaged in the production of account books, diaries, etc. But the emergence of computers have removed the use of account books to a great extent. Now-a-days, during Christmas season most of the binding units are engaged in the manufacture of paper star. The stars are available in markets in different designs and colours and are the inventions of binding units in Kunnamkulam. The Triveni books introduced by Kerala Consumerfed is produced in Kunnamkulam itself. The Consumerfed which has got branches all over India, is trying their level best to promote the binding industry and the dealers involved in this, but it is not reaching its peak level. Through this consumer fed, the workers in this industry is receiving nearly Rs. 1 crores as wages. The piece wage amounted to 52 paise per book. Even though this industry is providing employment opportunity to thousands of people, the association is complaining about the
reluctance of the government. authorities to promote these binding units for the overall development of the economy of the state.

The industry can survive after 20-25 years, only if there is paper resources, product diversification and replacement of obsolete technology. With the introduction of computers in many of the business establishments the requirements of computer stationery such as computer forms, pre-printed forms, bills, receipts etc. have gone up. This market sector can be tapped by converting some binding units, their area of production to computer requirements. Another area of operation is printing of different types of cards such as Onam greetings, Christmas greetings, friendship day cards etc. this highlights the need of a prospective plan for the binding units.

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