Chapter VII

SUMMARY, FINDINGS AND RECOMMENDATIONS

The book-binding industry in Kerala is six decades old and the founder is one Mathew, popularly known as ‘Ana Mathai’ hailing from Puthenpeta Angadi near Kunnamkulam. It was K.P. Iyyakku, the Municipal Chairman who with his political and economic clout popularised the industry in and around Kunnamkulam. Though there was no such patriarch along with the advancement of printing presses, this industry slowly spread into other centers in the state.

There are nearly 200 registered small scale industrial units and equal numbers of unregistered units. All Kerala Exercise Book Manufactures Association based at Kunamkulum had 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.

Almost all the raw-materials (Hard board, binding cloth etc.) required for this industry are procured from outside the state. For the binding of note books, the paper is purchased from Maharashtra, Andra Pradesh and Karnataka. The paper mills in these states such as Sheshai Paper, Tamil Nadu Newsprint Ltd; West Coast Paper Mill, Sunplex, Amaravathi etc. are the
suppliers of paper for Kerala binding units. Along with this, the Victory Paper and Boards Ltd. is also supplying paper for Kunnamkulam and nearby areas. The cover pages are set by using computer designs. A major portion of the cover pages required are coming from Sivakasi also.

The monopoly of banded note books in Kerala is still remaining at Kunnamkulam and nearby villages. Kunnamkulam is a smaller town in Thrissur Dist; Thrissur, a city popularly known as the cultural capital of Kerala.

Of the labourers engaged in this industry printing is done mainly by men from Tamil Nadu. However the binding work have been found by and large as the privilege of the locals. Again, this work strength maintains equality, as the man/woman ratio is 50:50. New entrant to this field is negligible.

It is an interesting paradox that while the demand for note books are on an increase, binders of Kunnamkulam find it difficult to survive. The recent policy of globalisation and economic reforms are having its own impact on all the sectors including the small scale sector. Considering all these trends and apprehensions the book binding industry in Kunnamkulam will receive definitely more attention of the scholars in future. The present study was the first attempt and hence exploratory in nature. The important objectives of the study were,

1. To examine the trends in the growth of book-binding industry in Kerala.
2. To Examine the economics of selected book binding units.

3. To examine the financial performance of selected book binding units.

4. To identify the managerial and operational problems.

The study was based on the following hypotheses:

1. The industry remains stagnant due to the absence of entrepreneurial factors.

2. There is technological stagnation in the book binding industry.

3. Cost of production is high in book binding industry.

4. Profitability is directly related to the size economies

5. Lack of product planning and working capital management lead to low profitability.

6. Scope for expansion and diversification is limited.

In order to examine the economics of book binding industry, ASI methodology was used and the primary survey was conducted from a stratified sample of 44 binding units. Considering the level of investment, number of workers and other conditions, the sample units were classified into small, medium and large. Accordingly, 11 small scale units, 28 medium units and five large units were selected, the sample constituting 20 per cent of the total units (242). From these sample units details for a five year period from 1998-2003 were collected with the help of schedules, personal interviews and
discussions. Because of the non existence of time series data, secondary data was a problem. Available details were collected from Small Scale Industries Service Institute, Department of Economics and Statistics, Trivandrum, District Industrial Centre, Thrissur and various government publications and reports.

The entire thesis was presented in seven chapters. The second chapter discussed the origin, growth, trends, problems and prospects of small scale industries in India and Kerala before independence and during the Five Year Plans. It includes a statistical profile of Third Census on small scale industry also, which revealed the trends and status of small scale industries and reasons for sickness in SSI sector such as lack of demand, shortage of working capital, labour problems, marketing problems and managerial problems.

The third chapter covered the practical aspects of binding, such as, different methods of binding, classification of binding, binding tools and process of binding. Thus the process behind the industry was extensively explained, before starting with economics and financial performance.

The fourth chapter dealt with the economics of book binding industry in Kerala based on the sample survey and it was revealed that during the reference period 1998-2003, addition to fixed capital have rarely taken place in sample units. There was also no considerable increase in labour force employed in binding industry. Compared to the rise in the cost of other inputs,
the rise in wage rate was not acute. Of the total production 90 per cent was contributed by note-books and the share of bill books, registers, calendars, diaries etc. are only nine to ten per cent. Detailed findings are listed separately.

An analysis of financial performance of book binding industry was made in the fifth chapter, through various financial ratios, activity ratios and profitability ratios. From the analysis it was clear that overall operational efficiency of the binding units are declining and control measures are to be taken by the management for the efficient functioning. Both large and medium scale binding units are not having appropriate strategies to tackle with finance. There was no favourable change in the working capital over the years and working capital management was poor in the binding units, which affect the efficiency of the units. The long term solvency position of large scale binding units showed a satisfactory position whereas for medium scale units it was not stable. For small scale binding units the long term solvency position was not at all satisfactory.

The sixth chapter covered various managerial and operational problems faced by sample units such as problem of outdated technology, cost of labour, increasing cost of production, scarcity of paper, problem of regional competition, limited scope for expansion and diversification etc. The above mentioned problems are inherent in this industry and considering the
importance of binding industry, suitable steps should be taken to remove all these weaknesses.

7.1 MAJOR FINDINGS

1. Book binding industry is commonly structured as proprietorship concern. Most of the binding units under study are inherited units. 70 percent of the sample units had a rural location and most of the units are working as family concerns with favourable working conditions. 90 percent of the sample units were organized on individual proprietorship basis and only the remaining four or five units were on partnership basis. Hence, the hypothesis, the industry remains stagnant due to the absence of entrepreneurial factors, is accepted.

2. Trends in the composition of working capital revealed that the units raised enough working capital by loans and advances for meeting day to day expenditure and there is an increasing and unnecessary tendency for the units to store raw-materials, especially paper. Thus broadly there is no proper planning and management of working capital. Hence, the hypothesis, lack of planning and working capital management leads to low profitability is validated.

3. Industry is labour intensive in nature. The existing binding units are flourishing as traditional industries and manpower is used extensively. 70 percent of notebooks are made by hand. The dealers are supplying paper and cover pages to small units running in households and the books are stitched there.
4. Most of the units are household units, where the family members will work and during vacation children also will contribute towards it. Only permanent employees are having permanent job.

5. Industry is need based. Majority of the small scale and medium scale units work as per the order given to them by manufacturers. They operate on piece-work basis and the remuneration depends on the output. Thus work is adjusted to requirements.

6. There is severe competition from neighbouring states, especially from Tamil Nadu. Labour is comparatively cheap in Sivakasi and the cost of production is also low. Thus bound books are available from Sivakasi at lower rates compared to Kerala. Most of the binding units are now having offset printing and binding units there or they are having business dealership with them, so that bound books are available at cheaper rate from Tamil Nadu which can be marketed at a higher price over here. Hence, the hypothesis of high cost of production in Kerala is reassured.

7. Even though book-binding industry is flourishing in Kerala, they are confronted with several managerial, economic and technological problems which will become a hindrance to its growth in future. Important constraints are outdated technology, high-cost, low market etc.

8. Introduction of information technology will have an indirect impact on binding units. Through computers most of the records can be preserved, and consequently paper records will gradually disappear. Thus banks and
other institutions instead of using binded registers and records, will switch over to computer documents.

9. Use of obsolete technique is the main constraint faced by the sample units under survey. On account of the use of outdated machines, their cost of production is high and quality is inferior. Technological improvements alone can save the small scale units by producing competitive products, by reducing cost of production and by converting the surplus investment in current assets to fixed assets. Hence the hypothesis that there is technological stagnation in this industry is accepted.

10. The small scale units often do not care about the changing taste and fashions of the people and they do not produce quality design books. This is due to shortage of capital and lack of awareness of the market. Thus, there is tough competition within the binding units itself as large scale units are more aware of the market conditions.

11. Scope for expansion and diversification is limited. In order to face the demand reduction, product diversification may be made. Under the initiative, leadership and supervision of the manufacturer’s association, innovations can be made in binding itself. New areas such as school diaries, yearly diaries, record books, etc. can be made. Hence the hypothesis limited scope for expansion and diversification is valid.

12. Most of the units marketed their products within the district and their major problem was competition from similar units. There is no common
marketing agency to control the binding units. Because of this reason there is unhealthy competition between small, medium and large-scale units. A co-operative or similar effort can save these small-scale units from the competition within the industry.

7.2 RECOMMENDATIONS

1. From the estimates under different conditions, it is revealed that even under worst situation, the average annual requirement of note books in Kerala will be above nine crores of which the present contribution from home units is only 80 per cent. The rest of the books are coming from Tamil Nadu and Andra Pradesh. Hence the binding units in the state should diversify its production to products such as diaries, bill books, registers, etc.

2. As paper is becoming scarce and costly, an alternate source for paper should be found out in Kerala itself, at least to meet our home requirements. But corollary to this, our binding units are interested in purchasing at low cost and low quality paper from Tamil Nadu and Andra Pradesh. Thus existing paper mills in Kerala are not utilizing their 100 percent capacity. If the home market requirements can be channelised properly through a centralized system, it will be beneficial both for the paper marts and the binding units.

3. Majority of the units use outdated technology and age-old machinery. Thus technology upgradation and modernization are important for a better future.
4. Modernisation pre-supposes the easy availability of finance. Commercial banks should come forward to provide financial assistance to these small-scale binding units who are always short of capital.

5. Being a traditional industry, there is no proper system of keeping accounts and records for a comparative analysis. Thus a proper accounting system should be introduced.

6. The home market for binding units can be widened if the Government of Kerala directs at least the government institutions to make use of the books produced in our own state.

7. If a common marketing agency is formed, unhealthy competition within the region can be stopped. There is no common marketing agency to control the unhealthy competition between small, medium and large scale units. Thriveni books were introduced as part of co-operative effort, but all the tenders are taken over by large scale units and there is no motivation for co-operative movement. Thus, through co-operative societies a uniform pattern of sales can be effected and an efficient distribution of work can be made through this.

8. The government should give tax concessions on paper to promote external domestic sales. Scarcity of paper is the major problem before the binding units. If they are purchasing paper from out side Kerala, they are liable to pay central sales tax at the rate of four per cent on inter-state sales. The binding units in Kerala are required to pay general sales tax at the rate of eight per cent again in home market. Thus, a suggestion can
be made that the general sales tax levied on our binding units can be reduced to six per cent which will be a relief to our binding units. Further, if the books produced in Kerala are to be sold at Karnataka or Maharashtra, the binders should pay entry tax also which will be a further stroke to them.

9. As in the case of other traditional industries such as coir, cashew, beedi, etc., the government may form a welfare society for the welfare of the employees in binding units.

10. The Book-Binders Association should come forward to inform and create awareness among the dealers in the home market regarding the new developments in this area.

11. The home market for binding industry can be widened if the Government of Kerala directs at least the government sponsored agencies such as Neethi Store, Triveni, etc. to make outright purchase of home products.

12. The study shows that no market research has been made by paper dealers and they are not fully aware of the use pattern of our own binding units.

13. Technological improvement is an urgent requirement and the binding units can be saved from this problem only by producing competitive products, reducing cost of production and by converting the surplus investment in current assets to fixed assets.

14. There is only 50 percent capacity utilization of paper boards in Kerala. It can be hundred percent if the binding units in Kerala are fully aware of
their own sources and are not going behind cheaper quality paper from Tamil Nadu and Andra Pradesh, especially from Sivakasi.

15. With the introduction of computers in many of the business establishments the requirements of computer forms, preprinted forms, bills, receipts, etc. have gone up. This market sector can be tapped by converting some binding units their production potential to computer requirements. This highlights the need of a perspective plan for the binding units.

7.3 POLICY IMPLICATIONS

Even though not many studies have been conducted to assess the impact of various policy measures, it is acknowledged that the major constraints in the development of traditional industries in general, are, inadequacy of infrastructure facilities, financial assistance and raw-material availability. The book-binding units are also suffering from the constraints mentioned and to some extent the Government can reduce the impact of such constraints through the following measures.

1. Rationalisation of taxes by state government and enhancement of excise duty exemption limit. If the government can introduce rational method of levying tax considering the nature of industries, a traditional industry like book binding can get rid of the burden of general sales tax in our own state. The eight per cent general sales tax may be reduced to six per cent, taking into account the central sales tax at the rate of four per cent payable on inter-state transactions
2. Need for creation of a comprehensive information base/data bank for SSI units in coordination with Industry Associations or a Government committee appointed. A government committee can be appointed to study about various organisational and operational aspects of this traditional industry so that there will be an efficient information system which will be beneficial to the binding units for effective planning of situations by creating consciousness regarding the present market conditions.

3. Simplification of laws and procedures. Government laws and procedures for starting new venture or SSI unit should be liberalised, so that young entrepreneurs who are opening new ventures will not get bored with it. Securing finance or shortage of capital is a major drawback for this industry. If banks and other authorised financial institutions can reduce the formalities for availing financial assistance, a common man can also start a new unit.

4. Special scheme for women entrepreneurs in this specific industry. Women empowerment is a highly relevant area in recent years and Kudumbasree in Kerala is one of the best examples for it. Through organisations like Kudumbasree, young women entrepreneurs can be assembled and can engage them in the production of books and its marketing. Involvement of women will improve the quality and also the cost will be reduced. Through Self Help Groups (SHG) also the books can be produced and marketed.
5. To make the binding units follow strictly Labour Welfare Act. A minimum wages committee should be appointed and effective implication of Child Labour Act should be made. Even though during the course of study the entrepreneurs denied the involvement of child labour, it is felt apriori the presence of child labour. It is against law and should be discouraged. Labour laws should be effectively implemented so that the benefits of ESI and Provident Fund to the employees of this traditional industry can be provided for.

6. Reorientation of policies to encourage interaction between small and large enterprises. Through proper orientation of government policies, co-ordination between small, medium and large entrepreneurs can be made which will be beneficial for the smooth functioning of all the binding units.

7.4 CONTRIBUTION OF THE RESEARCHER

The Economics of Book-Binding Industry in Kerala is an exploratory study and is an untouched area by the research scholars. Hence, the scholar feels that this is a humble but the novice attempt on book binding industry and is unique. As part of identifying the available literature, the scholar scanned the entire materials starting from internationally renounced Encyclopedia to locally available popular articles. It is unfortunate to state that not a single literature on book-binding is available at the international or national or even at state level. In order to examine the economics of book-binding industry nationally accepted methodology framed by the Annual Survey of Industries
(ASI) was used. Attempts to unearth an unexplored area is the most important contribution of this study.

7.5 AREAS FOR FUTURE RESEARCH

No research study will be complete in all respects. But a carefully planned and systematically done study will naturally help to identify areas for future research. This study also helped to identify a few research areas useful to researchers and they are mentioned below.

1. A comprehensive study on book-binding industry at all Kerala level is possible.

2. The existing binding units are more involved in the production of conventional note books only. The binding units can diversify their area into computer linked products as computerisation is unavoidable today. They can also switch on to cards, diaries, calendars etc. The possibility of such diversification can be assessed.

3. A stagnating nature of entrepreneurship is seen in this industry. For the last 60 years, it was heavily concentrated at Kunnamkulam only and is an example of local entrepreneurship. Thus, a micro study on book binding industry, leading to the causes of passive entrepreneurship culture can be done.

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