There is a world-wide conflict between capital and labour, and the poor envy the rich. If all worked for their bread, distinctions of rank would be obliterated the rich would still be there, but they would deem themselves only trustees of their poverty, and would use it mainly in the public interest.

From Yarvada Mandir, p.p.35-36.

CHAPTER - VI

MANAGEMENT OF VILLAGE INDUSTRIES

6.1 Introduction
6.2 Functions of the Entrepreneur
6.2.1 Planning
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CHAPTER - VI

MANAGEMENT OF VILLAGE INDUSTRIES

6.1. Introduction

The present chapter deals with an empirical analysis of khadi and village industries in Thiruvananthapuram and Kottayam districts, with a view to demonstrate the profile of khadi and village industries in Kerala. This is based entirely on primary data collected through sample surveys in the selected districts. Some economic parameters of these districts are given below:

Thiruvananthapuram district is at the southern most part of the state. It has an area of 2192 Sq.Kms. As per 1991 census it has a population of 29,38,283 with a density of 1341 person per Sq. Km. The percentage of literacy in the district is 78. At the end of March 1990 there was 6,92,971 job seekers on the line register of employment exchange in the district.

Kottayam district has an area of 2203 Sq.Kms. with a population of 18,19,581. The density of population in Kottayam district is 826 person per Sq.Km. The percentage of literacy in the district is 85.5. The number of unemployed in the district is

2,58,568 as on 31.3.90. It is an industrially backward district in Kerala. Figure 6.1. shows the district-wise area of the 14 districts in Kerala.

The Chapter is concerned with the entrepreneurial factors that help to shape various tools for an effective system of management and administration of village industries.

Traditionally, the management of enterprises has been in the hands of the families of business communities and the managerial talent was handed down along the family ladder. It has been accepted that people from other communities are incapable of taking up these responsibilities, because, in a traditional business family, the prospective manager was initiated into the responsibilities of his profession at an early age. However, this traditional practice has not been free from its own aberrations.

Managing is essential in all organised co-operation, as well as at all levels of organisation in enterprise. It is the function not only of entrepreneur but also of the shop supervisor and ordinary worker in the organisation. The task of the entrepreneur or manager is to establish the environment for group effort in such a way that individuals will contribute to group objectives with the least amount of such inputs as money, time, effort, discomfort and materials. By the very definition of the task this becomes the goal of managers. Despite the inexactness and
FIGURE 6.1

District-wise Area of 14 Districts in Kerala.

relative crudity of management theory and science, the development of thought on management dates back to the days when people first attempted to accomplish goals by working together in grounds.

The main characteristics of the managerial job is that it must interact with many kinds of environment. All managers must interface and interact with the many environments within their department and within the enterprise in which they operate. All must also constantly respond to and interact with, a complex environment external to their enterprise.

A successful manager is one who anticipates his problems and prepares himself to face them securely and in good time. He should have foresight, so that he may prepare his organisation to face the coming events. He gauges the strength or weakness of his organisation, and appraises the new situation, to meet it, he works out a strategy. This strategy makes demands on his organisation's strength in terms of the resources that are at its command, whether in man, materials or money, the three 'M's of industry.

6.2. Functions of the Entrepreneur

In classifying the functions of the entrepreneur one must clearly ascertain those entrepreneurial functions such as planning, organising, staffing, co-ordination, controlling, financing and marketing. These differ from one enterprise to another but the basic tasks of the entrepreneur, as a manager are common.
6.2.1 Planning

Planning involves selecting objectives and strategies, policies, programmes and procedure for achieving them, either for the entire enterprise or for only organized part thereof. In village industries planning is related to decision making, since it involves selecting from among alternatives. Entrepreneur of any village industry has to take decision on policies relating to authority, prices and competition, programmes of production, management, succession and internal audit and procedures requiring specific methods of handling paper, products and people.

6.2.2 Organising

Organising of a village industry is a tedious task for the entrepreneur. It involves the establishment of an intentional structure of goals through determination of the activities required to achieve the goals of an enterprise and each part of it, the grouping of these activities, the assignment of such groups of activities to a manager, the delegation of authority to carry them out and provision for coordination of authority and informational relationships horizontally and vertically of the organisation structure. The organisation structure of village industries is of course, not an end in itself, but a tool for accomplishing objectives.

The management of village industries is carried out under
different organisational set ups such as co-operative societies, charitable societies and proprietorship and direct production centres under Khadi and Village Industries Board or Khadi and Village Industries Commission.

i) Co-operative Society

A co-operative society should consist of at least 25 members inclusive of president and secretary. The members should work in the same field and belong to different families. The society should have possessions not less than 10% of the required amount as asset. This can either be in the form of share capital loan or land. The share capital loan can be collected by obtaining a fixed amount from each member of the society as contribution. This amount can be utilised either for purchase of land or as bank deposit for security.

ii) Charitable Society

The charitable society consists of at least seven members belonging to different families. The Board insist that at least the members in the administrative section of the unit should have life-long membership in the society. In this case also, the asset required for financial assistance is 10% of the required amount. This can be produced either as land or as bank deposit.

iii) Proprietorship

In the case of units owned by individuals or proprietorship,
the unit can avail of the financial assistance from Khadi and Village Industries Board on the security of two persons in addition to his own security. The owner and one of the securities should possess an asset not less than 1.5 times of the required amount from Khadi and Village Industries Board. In proprietorship concerns, the entrepreneur himself is the owner of the unit.

The sample units selected for the study constitute 25 co-operative societies, 16 charitable societies and 10 proprietary ownership. Figure 6.2 shows the organisational distribution of selected village industrial units in the present study.

6.2.3 Staffing

Staffing involves manning and keeping manned, the positions provided for by the organisation structure. It thus necessitates defining manpower requirements for the job to be done, and it includes inventoring, appraising and selecting candidates for positions, compensating and training or otherwise developing both candidature and incumbents to accomplish their task effectively. In village industries staffing is an important task for the entrepreneur, for the success of the industry depends to a great extent on the organisational structure.

6.2.4 Co-ordination

Co-ordination is the essence of managership, for the achievement of harmony of individual efforts towards the
FIGURE 6.2
Organisational Distribution of Village Industrial Units
accomplishment of group goals is the purpose of management. In village industries the best co-ordination occurs when individuals see how their jobs contribute to the dominant goals of the enterprise. This implies knowledge and understanding of enterprise objectives, not just on the part of the entrepreneur at the top, but by every one throughout the enterprise.

6.2.5 Controlling

Control is exercised by introducing a system of records at various stages of production - right from the time the stocks are held in storage, through different stages of manufacture, till the finished goods are dispersed. With proper maintenance of these records, the handicap at any stage can be easily identified and remedial measures taken in sufficiently good time well before matters get out of hand. So the entrepreneurs of village industries have added responsibility for exercising strict control over the enterprise as any lapse at their end will ruin the enterprise.

6.2.6 Financing

The manager works out the amount of capital he needs to implement a project or to carry out a production programme. After he has worked out this programme, it is essential for him to ensure that the inflow and outflow of money takes place in accordance with the plan on the budget. Financing is a great problem of village industries as the entrepreneur finds it very difficult to raise the
required capital. Banks and other financial institutions in the country are generally reluctant to advance money for village industries due to several reasons including the risk involved in providing unsecured loans to the entrepreneur, whose employment capacity is very limited.

A case was noticed where the entrepreneur had to confront with the problem of financial crisis during the establishment of the industry. This particular entrepreneur is a gentleman having 32 years. Though he is a graduate in science, lack of employment opportunities in other sectors motivated him to establish a village industrial unit as a means of self-employment. Thus he decided to establish a non-edible oil and soap unit. For that he required Rs.40,000/- at the initial stage. His parents are agricultural labourers and they were not in a position to provide him with financial support. He got Rs.10,000/- by disposing of his family share. From KVIB he received only Rs.15,000/- and for the remaining Rs.15,000/- he sought the help of the Bank. But as he was not able to provide enough security required by the bank, they were reluctant to provide him with loan. Therefore he borrowed money from a money lender at high interest and established the soap unit. However at present as informed by the entrepreneur the profit from this particular unit is not sufficient to remit the interest of the loan he has taken from the money lender and therefore there is a possibility for the winding up of the unit in due course.
The capital investment of the sample units varied from 18,000 rupees to 2 lakh rupees. Table 6.1. categories the entrepreneurs on the basis of capital invested in village industry.

**Table - 6.1.**

<table>
<thead>
<tr>
<th>Capital Invested in Rupees</th>
<th>Number of Entrepreneurs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50,000</td>
<td>8</td>
<td>15.7</td>
</tr>
<tr>
<td>50,000 - 1,00,000</td>
<td>33</td>
<td>64.7</td>
</tr>
<tr>
<td>1,00,000 - 1,50,000</td>
<td>7</td>
<td>13.7</td>
</tr>
<tr>
<td>1,50,000 - 2,00,000</td>
<td>3</td>
<td>5.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

In 36 units share capital loan forms the main source of capital while in rest of the cases individual investment and monetary assistance extended by Khadi and Village Industries Board forms the source of capital invested.

6.2.7 Marketing

Marketing is not an item that can be excluded from planning and control. The market for a product is an external element which cannot, in general, be controlled by an entrepreneur in village industries, who has constantly to study it and adjust his production to suit it.
As far as the village industries are concerned marketing is a grave problem. Due to the lack of marketing facilities and demand, the piling up of finished goods adversely affect the working of the industry, which ultimately leads to its winding up. It is observed that 63 percent of the units are depending on local markets for selling their products. The rest of them have no local markets. Some of these entrepreneurs find buyers for the entire or part of their product at their doorstep. The entrepreneurs of pottery units, fibre weaving units, cane and bamboo units, curry-powder making units etc. belong to this group.

In some pottery units workers themselves carry the cooking pots and flower pots to the neighbouring town and villages to sell their products. In a fibre weaving unit, managed by a woman, she herself had to carry the goods produced in the unit to the town to sell them. Her main products are table mats, fancy bags and decorative items for the show-case. The poor villagers were not much interested in these items. Therefore she has to find the market for her articles outside the village. Otherwise the piling up of the produced goods will put an end to further production which ultimately will lead to the winding up of the unit. Though at the initial stage she sought the help of a middle man for marketing, his demand for high commission forced her to cut off this sort of assistance in marketing. Thereafter she herself carry the goods to the market to sell them.
17 entrepreneurs informed that they are availing of the help of Khadi and Village Industries Board for the marketing of their products. These products comprise khadi, leather goods, soaps, agarbathi, honey and certain fancy items made up of fibre and wood. However, 55 percent of the entrepreneurs informed that they are capable of selling all the products somehow. While others find it difficult to sell their products. It is interesting to note that 33% of the units are selling their products in other states like Madras, Bombay, Calcutta, etc. These products are fibre-mats, bags, honey, leather articles etc.

6.3. Profile of the Entrepreneurs

One of the objectives of the present study is an analysis of the entrepreneurship, organisation and programmes concerned with the promotion and development of village industries in Kerala. Therefore, the scope of the study consists of the survey of the industrial units in order to evaluate the effectiveness and relevance of Government policies and programmes vis-a-vis the needs of entrepreneurship in village industry and to build an entrepreneurs profile and analyse the characteristics of village industrial units.

The typical entrepreneur of the village industry in Kerala is of local origin and his venture into entrepreneurship steps primarily from a desire for acquisition of monetary benefits. He is encouraged in this venture by his family and friends. Rising
demand for the product, coupled with high returns and future prospects are the most significant factors for his choice of the product. To him one of the major considerations for the setting up of the unit in a particular locality is the availability of land and labour.

The majority of the entrepreneurs under the study are in their middle age. The average age of an entrepreneur in village industry is noticed as 38.5 years. Table 6.2 shows the age-wise distribution of entrepreneurs in village industries.

Table - 6.2.

Age-wise Distribution of Entrepreneurs in Village Industries.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number of entrepreneurs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 - 30</td>
<td>8</td>
<td>15.7</td>
</tr>
<tr>
<td>31 - 40</td>
<td>13</td>
<td>25.5</td>
</tr>
<tr>
<td>41 - 50</td>
<td>26</td>
<td>51.0</td>
</tr>
<tr>
<td>51 - 60</td>
<td>4</td>
<td>7.8</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td>100.0</td>
</tr>
</tbody>
</table>

All the entrepreneurs under the sample units are literate and the majority (51 %) are having higher educational qualifications. Six of them are degree holders and 3 of them in khadi units attended 'Karyakartha' course conducted by Khadi and Village
Industries Board. Table 6.3. categories the entrepreneurs on the basis of their educational level.

Table 6.3.

Educational Level of Entrepreneurs in Village Industries

<table>
<thead>
<tr>
<th>Educational level</th>
<th>Number of entrepreneurs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>8</td>
<td>15.7</td>
</tr>
<tr>
<td>High School</td>
<td>17</td>
<td>33.3</td>
</tr>
<tr>
<td>College</td>
<td>26</td>
<td>51.0</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Christians constitute the majority in the sample population of entrepreneurs. Though Christians constitute 20.6 percent of Kerala population, the share of Christian entrepreneurs in village industries is 53 percent. Rest of them are Hindus. One of the possible reasons for higher Christian representation is their settlement pattern. In Kottayam district the Christians are more concentrated and 96 percent of the entrepreneurs in Kottayam district are Christians. Religion-wise distribution of entrepreneurs in village industries are presented in Table - 6.4.
Table - 6.4.

Religion-wise Distribution of Entrepreneurs in Village Industries

<table>
<thead>
<tr>
<th>Religion</th>
<th>Number of entrepreneurs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hindu</td>
<td>24</td>
<td>47.0</td>
</tr>
<tr>
<td>Christians</td>
<td>27</td>
<td>53.0</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Both male and female entrepreneurs represented the sample, though the female representation is only 33.3 percent. Table - 6.5. presents the gender-wise distribution of entrepreneurs in village industries.

Table - 6.5

Gender-wise Distribution of Entrepreneurs in Village Industries

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of entrepreneurs</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>34</td>
<td>66.7</td>
</tr>
<tr>
<td>Female</td>
<td>17</td>
<td>33.3</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td>100.0</td>
</tr>
</tbody>
</table>
6.4. Profile of the Units Selected

By and large 49 percent of the units came into existence from 1980 - 90. This is because during this period the Government has implemented several employment programmes to reduce the problem of unemployment in the state by absorbing rural masses into khadi and village industries sector. Table - 6.6. categories the village industrial units on the basis of their starting period.

Table - 6.6.

Categorisation of Village Industrial Units on the Basis of Starting Period

<table>
<thead>
<tr>
<th>Starting period</th>
<th>Number of units</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960 - 70</td>
<td>10</td>
<td>19.6</td>
</tr>
<tr>
<td>1970 - 80</td>
<td>16</td>
<td>31.4</td>
</tr>
<tr>
<td>1980 - 90</td>
<td>25</td>
<td>49.0</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Regarding the ownership of land and building of the units, it is observed that out of 51 units 43 are functioning in their own building. All the co-operative societies, 13 charitable societies and 5 proprietorship units have their own building. Rest of the units are functioning in rented buildings. The table - 6.7. distributes the units on the basis of ownership of land and building.
Table - 6.7.

Distribution of Units on the Basis of Ownership of Land and Building

<table>
<thead>
<tr>
<th>Nature of Industrial Units</th>
<th>Number of Units</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Own Building</td>
<td>Rented Building</td>
</tr>
<tr>
<td>Co-operative Society</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>Charitable Society</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Proprietorship unit</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
<td>8</td>
</tr>
</tbody>
</table>

As far as an industry is concerned, local availability of raw material is an important factor. The majority (51%) of the units under study are obtaining raw material from different parts of Kerala. However, 49 percent of the units are importing raw material from neighbouring states like Tamil Nadu, Karnataka etc. Some of the units are confronting with the problem of paucity of raw materials.

There is no doubt that the efficiency of an industrial unit will depend upon its labour force. The total number of labourers of selected 51 village industrial units is 430. Though the number of workers vary from one unit to another, on an average there are 9 workers per unit. 74 percent of this labour force are female and 26 percent are male. Figure - 6.3. distributes male - female
Each Symbol Represents 10 percent workers.

FIGURE 6.3
Gender-wise Distribution of Total Workers in the Selected Village Industrial Units
workers under selected village industrial units. In ancient times, women were engaged in the textile industry, specially in spinning, though they lost this occupation later. However, after the revival of khadi and village industries, women again entered in this field. Though they are working in every field of khadi, it is the spinning section that they have monopolised. About 90 percent of this section is in their hands. Apart from spinning, other village industries in which women are largely employed are cottage match industry, fibre weaving, non-edible oil, seed collection and processing, hand made paper, pottery, food processing and preservation etc.

There is a generally held view that the productivity in village industries, by and large, is not satisfactory. Therefore, all over the Five Year Plans and Industrial Policy Statements have stressed the need to accentuate the development of village industries through the upgradation of technology, thereby to improve the quality of products. But a serious question is, to what extent machinery can be made use of in this sector? According to Gandhiji, machinery has its place, it has come to stay, but it must not be allowed to displace necessary human labour. His opinion on the use of machinery in village industries is more clear in his statement that, "I would welcome every improvement in the cottage machine, but I know that it is criminal to displace hand labour by the introduction of power-driven spindles."
unless one is, at the same time, ready to give millions of farmers some other occupation in their home".  

In contrast to the Gandhian view of mechanisation it is found that low levels of technology, resulting in poor productivity and inadequate returns continue to characterise the village industries. In the present study with a view to find out their views on the use of machinery and the extent to which machinery are in use currently, a question was asked to both the entrepreneurs and workers in village industries. It is noticed that two types of machinery are used in village industries, viz., hand driven and power driven. It is found that 80 percent of the units are using hand driven machines, while 20 percent are using power driven machines in their production process. Nearly 100 percent of the units use machine power for processing of cereals and pulses. Other areas of village industries where machines are employed include pulp making in paper industry, mixing of chemicals in match industry, grinding and powdering of spices in vegetable processing units and aluminium industry.

However the use of machinery depends upon two factors, the applicability of particular machinery in a particular industry and also on the financial position of the entrepreneur. It is observed during the field study that the majority of the entrepreneurs prefer

2. M.K. Gandhi, Young India, 5.1.1923.
to use modern machinery in production, as they feel that it would enrich the quality of the products and hence increase the total turnover and income. But factors like financial constraints, non-availability of proper machinery and also taboos and beliefs to a certain extent restrain the traditional workers from the use of machinery.

What is gathered from the study is that, given an opportunity to mechanise the production process in village industries without losing the employment opportunities, it will certainly help to improve the present stagnation in the development of village industries. As Gandhiji has rightly remarked mechanisation should be introduced in such a way that "dead machinery must not be pitted against the millions of living machines represented by the villagers, scattered in the seven hundred thousand villages of India. Machinery to be well used has to help and ease human effort". 3

Considering the economic conditions in village industries under the selected sample, it is observed that 50 percent of the units are profit making. It is found that this profit is mainly used for the development of infrastructural facilities and also for giving welfare facilities to the workers. 39 percent of the units are sick units. Lack of necessary finance, non availability of raw

material and marketing constraints are the factors which lead to industrial sickness of village industries. Other factors which adversely affect the development of village industries are lack of skilled labourers and proper management.

6.5 Management of Village Industries - A Gandhian Outlook

As one of the objectives of the present study is to examine the impact of Gandhian ideas in the functioning of village industries, it is worthwhile to examine the views of Mahatma Gandhi on the management of village industries. Gandhian view on management is based on his well-known principle of Trusteeship. Entrepreneurs are the trustees of the factors of production, land, labour, capital and organisation. It is their obligation to the society that their wealth, skill and talent are utilised for the betterment of their fellow man. Workers are the essential and useful elements in production, they should be adequately compensated for their services. Management of village industries are to be organised as far as possible on co-operative basis giving adequate representation to entrepreneurs, workers and all others concerned with the village industry system. Both entrepreneurs and workers should work together for the success of village industries with a view to increase production and productivity in village industries. In its own interest, management will, therefore, have to be persuaded to share with labour, responsibility and decision making in both work-related and interest-related issues.
In short, Gandhiji's trusteeship aims at the removal of the conventional class distinctions, alienation and other tensions by introducing the ideal of the common ownership of all the partners in an industrial undertaking. This means that the existing structure of ownership, production and decision making needs to be changed, so as to be conducive to the fulfilment of the following three purposes of work, viz.

a. Production of goods and services.

b. Chance for workers to develop their skill, potentialities and to share responsibility.

c. Ability to overcome class interests when both workers and capitalists go against the interest of the society as a whole.