Chapter 1

INTRODUCTION

Village and Small Industries (VSI) sector comprises both traditional and modern small industries. It is constituted by eight specific groups viz. Handloom, Handicrafts, Coir, Sericulture, Khadi, Village Industries, Small Scale Industries and Power looms. The last two items constitute the modern group of industries, the others being traditional. Next to agriculture, the VSI sector provides the greatest employment opportunities, which is in rural and semi-rural areas. It contributes about 50% of the value added in manufacturing. Small Industry sector is able to provide employment to 26 persons for every Rs. 1 lakh of fixed investment whereas only 4 persons are employed in large-scale sector. The small-scale industry sector is producing more than 7500 products accounting for nearly 40% of total production of the manufacturing sector and 35% of the total exports. It provides employment to about 17 million persons.\(^1\)

Unlike the neighbouring states, Kerala has a peculiar industrial structure marked by the higher shares of a few local resource-based traditional industries and lower shares of capital goods and modern industries. The major traditional industries of Kerala are Coir, Handlooms, Handicrafts and Cashew. Moreover, the Kerala Khadi and Village Industries Board (KVIB) has identified and recognised 27 village industries under seven major groups such as Mineral Based Industry, Forest Based

Industry, Agro and Rural Based Industry, Polymer and Chemical Based Industry, Rural Engineering and Bio-Technology, Textile Industry (excluding Khadi) and Service Industry.

Handloom is one of the most important, ancient, national traditional industries of India. The history of Indian handloom industry dates back to the epic ages. Handloom industry is still the largest employer in the country after agriculture. The industry directly gives employment to 120 lakh people in India. The sector accounts for 13.12% of the total cloth produced in the country (excluding clothes made by wool, Silk and handspun yarn) and also contributes substantially to the export earnings.²

The Handloom Industry is the major traditional industry of Kerala, after coir. It directly gives employment to 1.75 lakhs of people. The industry is dominated by the cooperative sector with 94% of the looms. Industrial entrepreneurs or the private sector owns the remaining 6% of the looms. However, the share of the cooperative sector in total production is 96% and of the private sector is only 4%. About 54% of the major handloom items are produced in the Southern region followed by the North (32%) and Central (14%) regions. The cooperative sector consists of factory type and cottage type societies. By the end of March 2005 there were 758 PHWCS consisting of 155 factory type and 603 cottage type societies. Moreover, among the general category, there are 52 Women Handloom Cooperatives in the State.³ HANTEX and HANVEEV are the major promotional institutions of handloom industry in the State, excluding the Directorate of Handloom. The Central and State Governments are implementing several promotional schemes for the development of handloom industry during the post globalisation period. However the industry in Kerala is affected by some major problems such as scarcity of yarn.

financial crisis of the handloom weaving cooperative societies (HWCSs) including the apex societies of HANTEX and HANVEEV, obsolete technology, limited product diversification, excess dependence on rebate system etc.

If village and traditional industries are to be developed during the period of globalisation, old development approaches of relying on subsidies and cash incentives should be supplemented or even replaced. Such measures should cover upgradation of industry, enhancement of productivity, improvement of quality, better organisation and innovation.

In order to overcome the above problems handloom industry in Kerala accepted some new development strategies such as cluster development approach, involvement of Self-Help Groups etc., during the period of globalisation. We should examine whether these changes are sufficient to meet the challenges of post-globalisation period.

Government of India has declared Kannur district in Kerala as the Town of Export Excellence for handloom industry. Kannur is the major export-oriented handloom production centre in the State with its exports accounting for 10% of the total handloom exports from the country. Kannur (northern) region produces 32% of the total handloom production in the State. On the other hand, central and southern regions of Kerala produce the major portion (68%). Though there is great potential of growth, export, and employment generation, the central and southern regions are often neglected by the researchers and policy makers. Therefore, it may be interesting to analyse the performance of traditional centres of handloom production in Kerala during the period of globalisation. In this scenario, the present study on the impact of globalisation on handloom industry with special reference to Ernakulam district (where handloom is the major traditional industry) will be noted.
1.1 OBJECTIVES OF THE STUDY

Major objectives of the study are the following:

1.1.1 To evaluate the performance of village industries in Kerala during the pre and post globalisation periods.

1.1.2 To analyse and compare the performance of handloom industry in Kerala during the pre and post globalisation periods.

1.1.3 To assess the performance of apex handloom societies, i.e. HANTEX and HANVEEV, during the period of globalisation.

1.1.4 To analyse empirically the impact of globalisation on handloom industry in Ernakulam district.

1.1.5 To examine whether the handloom industry was prepared for globalisation.

1.1.6 To analyse the well-being of weavers/beneficiaries during the post globalisation period.

1.1.7 To comparatively analyse the export performance of Kannur and HANTEX.

1.1.8 To propose suggestions for repositioning the handloom industry during the post globalisation period.

1.2 METHODOLOGY

1.2.1 Three methods are used to achieve the above objectives:

(i) Primary data

(ii) Secondary data
(iii) Analytical and statistical tools such as trend analysis, growth rates and coefficients, averages, graphs and diagrams.

1.2.2. Primary data mainly collected by conducting two separate sample surveys in Ernakulam district:

(i) Survey on the handloom weaving cooperative societies (HWCSs)

(ii) Survey on the handloom households/ Beneficiaries.

The first one represents the factory handloom sector and the second represents the cottage/ household sector. Therefore, both the factory and cottage sectors are covered. Handloom industry in the district is dominated by the cooperative sector. There are 32 registered HWCSs in the district. However, only 16 HWCSs are regularly working. Therefore we selected all the working 16 HWCSs for the survey. There are nearly 5000 registered weavers in the district. However only 35% of them are regularly working. To conduct the sample survey of the beneficiaries/workers, we selected 200 workers at random (10% of regularly working weavers). While selecting the workers/weavers, equal representation has been given to handloom workers belonging to each circle in the district, that is, North Parur circle and Ernakulam circle. Further, most possible representation has been given to the members of all working HWCSs in the district. To supplement the sample survey direct personal investigations, questionnaires, interview schedules, telephone interviews, etc. were used.

1.2.3 Secondary data have been collected from various sources such as Annual Reports of Ministry of Textiles, Khadi and Village Industries Commission, Kerala Khadi and Village Industries Board, HANTEX, HANVEEV, Handloom Exports Organisation, Kannur, Handloom Export Promotion Council, official publications such as Economic Survey, Economic Review, Statistics for Planning, other published books, official and reliable websites, various periodicals, news papers etc. To supplement these, personal interviews, discussions and investigations have been
undertaken with the officials of Directorate of Handloom, Department of Industry and Commerce, KVIB, HANTEX, HANVEEV, secretaries of HWCSs, weavers and workers and others related to handloom industry.

1.2.4 After the collection and classification of data, various statistical and analytical tools have been used for analysis, with a computer. To substantiate the analysis, growth rates and coefficients, averages, trend analysis, tabular and graphic representations, etc. have been used.

1.3 SCOPE AND SIGNIFICANCE

Different studies have been conducted on the traditional sectors of Kerala including the handloom sector. However no study has been made on the performance of handloom sector in Kerala, during the period of globalisation. Therefore the present study on the impact of globalisation on village industries in Kerala with special focus on handloom industry in Ernakulam district has much relevance.

Ernakulam (Kochi) is the industrial capital of Kerala. Handloom and Coir are the main traditional industries of the district. However, Handloom is the major traditional industry in Ernakulam district. There are 32 registered Handloom Weaving Cooperative Societies and nearly 5000 registered weavers in the District. The second largest traditional industry in the district is coir, with 27 cooperative societies. ‘Chennamangalam Kaithari’ is one of the reputed traditional handloom centres of Kerala, which is in Ernakulam district.

Moreover, Ernakulam region is the major domestic market for handloom cloth in Kerala, as is evident from the fact that HANTEX, the apex handloom society sells its major portion of handloom products in Ernakulam region. Therefore Ernakulam district is selected for the case study. However, to substantiate the study, for analysing the export performance and for other state level analyses, secondary data were collected from Kannur district, HANTEX and from other sources.
On the basis of findings and conclusions of the present study some suggestions are also made for repositioning the handloom industry during the period of globalisation. It is expected that such recommendations may help the planners and policy makers to design appropriate policies during the post globalisation period.

1.4 CHAPTER SCHEME

The present study is classified into eight chapters

1.4.1 The introductory chapter presents the subject, objectives, methodology, scope and significance, and chapter scheme of the study.

1.4.2 The second chapter discusses the review of literature. The studies are classified into three groups, as 2.1, 2.2 and 2.3. The study on an international level is discussed under the group, 2.1. The national level studies are reviewed under 2.2 and the local or regional studies are categorised in 2.3.

1.4.3 The third chapter presents the performance and prospects of village industries in Kerala. The chapter also deals with the village industries in the Indian context and analyses the performance of khadi and village industries in India and Kerala during the pre and post globalisation periods.

1.4.4 The fourth chapter analyses the performance and prospects of handloom industry in Kerala. The main contents of this chapter include history of Indian handlooms, promotional institutions and programmes, analysis of the performance of handloom industry in India and Kerala, profile of handloom industry in Kerala, new development strategy, performance of HANTEX and HANVEEV, etc.

1.4.5 The fifth chapter deals with the performance and prospects of handloom industry in Ernakulam district. This chapter discusses the history and structure of the handloom industry in the district, cooperatives and private handlooms, status of
handloom workers and problems of the industry. Performance of the industry is also analysed.

1.4.6 Detailed discussion of globalisation and related issues is made in the sixth chapter. The major contents of this chapter include meaning and history of globalisation, institutions of globalisation, impact of globalisation on Indian economy, globalisation and Kerala economy, growth performance of Kerala economy – pre and post globalisation periods and status of traditional industries of Kerala during the post globalisation period.

1.4.7 Seventh chapter empirically analyses the impact of globalisation on handloom industry in Ernakulam district. Impact of globalisation is analysed by using some selected parameters such as production pattern, innovations/variety changes, modernisation, output and income, employment, quality of labour, production, sales, profits/loss, exports, welfare of beneficiaries, etc. A comparative analysis of the pre and post globalisation periods is also made in this chapter.

1.4.8 The major findings and conclusions are summarised in the last chapter. Based on the findings some suggestions and proposals are also presented for policy implications.