

PROBLEMS AFFECTING THE GROWTH OF SMALL AND MEDIUM SCALE WEAVERS CO-OPERATIVES (SMWCS) IN KERALA

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Abstract— Handloom sector occupies a distinct and unique place in Kerala economy. It is the one of the largest employment producer in Kerala after the farm sector. It is providing employment to two million people directly and indirectly. It is estimated that out of this sixty percent are women twelve percent schedule caste and twenty percent scheduled tribes with seventy thousand handlooms in Kerala. Now in Kerala rural economy is facing a problem of rural unemployment, rural inequality and rural poverty. These are the basic problems confronting rural economy are sought be addressed by depending upon the efficiency of rural industries. The only solution for this is co-operative societies. Co-operative societies are implementing strategies of Gandhian model of rural development. They are the pillars of rural economy. Gandhiji saw a great virtue in co-operatives as an instrument of rural development and social reform.

With the introduction of Co-operative credit societies act in 1904 there was spurt in the number of co-operative societies in India. The movement got a fresh blood and impetus after the enactment of co-operative society's act in 1912. After independence co-operative societies played an important role in poverty removal and faster economic growth. The co-operative planning committee observed that the co-operative societies have a great role to play as a most suitable medium for democratization of economic planning.

After industrialization the weaving activity has undergone technological changes and specially divided into three components. They are handloom, power loom and mill industry. Hand loom is the largest provider of employment, in this sector. It has a strategic position in socio economic fabric of Kerala owing to its mass employability.

In these circumstances it is necessary to study the impact of handloom weaver's co-operative societies in the life of weaving community, rural development and socio economic impact of rural economy of Kerala. The main function of handloom weaver's co-operative societies is to promote economic conditions of weavers by providing technical, financial and infrastructural support.

The paper will examine the various challenges faced by Kerala small and medium weavers' co operatives (SMWCS) and the role of Kerala government in

upliftment of this sector. However there are certain distinctions to be made regarding providing protection as the same time not hampering the growth pattern by providing extra shield

Index Terms—SMWCS, Co-operatives, Handloom, Rural development.

I. INTRODUCTION

A co-operative society is defined by international co-operative alliance (ICA) in its congress held in Manchester in 1995 as "An autonomous association of persons united voluntarily to meet their common economic social and cultural needs and aspiration through jointly owned and democratically controlled objective". International co-operative alliance adopted seven principles. They are voluntary and open membership, democratic member control, member economic participation and limited interest on share capital, autonomy and independence, provision of co-operative education, training and information, cooperation among co-operatives and concern for community. A co-operative is a perfect democratic institution of members, for members, and by the members and is based on the one member-one- vote system of decision making [1]. Like any other commercial organization co-operatives are expected to operate efficiently and make profit. But unlike other organizations, co-operatives have a social commitment. The co-operative manger has to consider social obligations apart from profit.

The main objectives of weaver's co-operative societies are:

1. To safe guard the weavers from exploitation of middlemen.
2. To supply equipment, technology and raw material.
3. To provide adequate working capital.
4. To make aware of weavers recent technological improvements.
5. To market their finished products.
6. Ensure minimum wage standards.

The handloom sector was regarded as a potential employer by the Government of India and was given due importance along with agriculture in the first five year plan. Because of high interest rate, hike in power tariff, hike in price of raw materials and competition from organized sector made handloom weaving an unattractive job. Power looms have started producing huge quantity of attractive fabrics drastically affected the hand loom sector. This has led to the disappearance of hand loom products from the market.

The problem faced by the hand loom industry was first noted by Royal commission of agriculture in 1928. Kanakalatha and Syama Sunderi (2001) quoted the report which expressed the view that, "the development of this village industry on

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co-operatives lines was essential to the survival of weavers in the face of increased competition from organized industry". This shows the need for establishing co-operatives societies in weaving sector in small and medium scale. There are three sectors that control the handloom sector of Kerala. They are independent weavers, co-operatives and intermediaries. The independent weavers produce clothes by themselves by procuring raw materials from the market. Co-operative sectors are those organize as a society and work for the society. Small traders or intermediary are those who employ weavers on daily wages for producing clothes. Out of these co-operatives play a dominant role?

In Kerala traditionally Salya community were engaged in weaving. Their traditional occupation was weaving. They were concentrated in special areas and engaged in weaving. But, competition from organized mills, imitation of handloom products by organized sectors, marketing problems and defunct co-operative societies made them to shift to another profitable employment other than weaving. By the end of nineteenth century they became a marginalized community. Under royal patronage handloom weaving enjoyed a strong reputation and glory. To overcome the crisis they adopted different coping mechanisms including occupational diversification.

Kerala can rightly claim to have one of the largest networks of co-operatives in India. They occupy an important position in Kerala's rural economy in terms of their coverage in rural population and their share in total supply of agricultural input including credit. Most of them are not financially viable and depends on government grants for survival. Most of the co-operatives are exploiting their own resources for survival. Strictly speaking few scholars have studied the impact of weaver's co-operative societies and their problems regarding growth of this sector.

Even though there is difference in performances of these co-operatives, there is a ray of hope at the end of the tunnel. There has been tremendous growth in activities of weavers' co-operatives. They have made significant effect in the rural development of Kerala. There are many co-operatives like Peralassery weavers co-operative society, Chirakkal weavers and Kanjirode weavers society in Kannur famous for their dedicate leadership, democratic style of functioning strict quality control and making a positive impact on the life of weaver members.

So it is essential to make a study on the effect of weaving co-operatives in rural development of Kerala and growth of this sector. In the absence of a comprehensive study, it is not possible to make a proper conclusion about the impact of weaver's co-operative societies in rural development of Kerala.

II. HISTORY OF CO-OPERATIVES IN KERALA

Growth of co-operative movement in Kerala was insignificant during the pre-independence era. Before formation of state of Kerala, co-operatives under this area, was administered by Travancore co-operative societies act, Cochin co-operative societies act and Madras co-operative societies act. After the formation of state of Kerala, Kerala co-operative society's act 1969 came into force with effect from 15-5-1969 and it was amended later. In Kerala co operatives are considered to be paramount importance in development because of its labour intensive character than large enterprises. It has got approximately 20% of states domestic production and 15% of employment. Only farm sector contribute more than this. These co operatives have the momentum to inculcate innovations, competition in both domestic as well as international markets and creation of job and stabilize the economy. Small and medium co operatives often lack time and manpower to implement complicated strategies for future development. They often think for survival of today than tomorrow. To make them competent and to prepare them to face tomorrows competition Government has to take necessary steps. Even before independence, the princely state of Travancore has tried to establish a strong presence in industrial as well as co operative map of India. This led to the continuous momentum even after independence. This momentum came under the shadow of insecurity in the 80s which the government now trying to restore.

The beginning of Kerala state co operative bank dates back to early 20th century. In 1914 Maharaja of Travancore His Highness Sree Moolam Tirunal by his proclamation introduced Travancore Co Operative Societies Regulation Act. As per the act first co operative society The Trivandrum central co operative bank was registered in the year 1915, the bank started functioning on 18th January with a share capital of one lakh; consisting of 1000 shares of 100 each. This bank was later converted Kerala state co operative bank. This bank is now helping the co operatives to restore the past glory.

British rule brought further changes in handloom industry and there is a debate that colonial contact destroyed traditional industry. The Marxist school of thought has argued colonial contact destroyed pre-existing industrial systems and created a new economic condition in the country. Karal Marx observed that: it was British intruder who broke up the Indian handloom and destroyed the spinning wheel [2]. England began with driving the Indian cottons from European market; it then introduced twist into Hindustan, and in the end inundated the very mother country of cotton with cottons. From 1818 to 1836 the export of twist yarn from Briton to India rose to the proportion of 1 to 5200. in 1824 the export of British muslins to India hardly amounted 100000 yards while in 1837 it surpassed to 64000000 yards.

Table 1. Sector wise production of cloth

Year	Mill	Handloom MSM	Power loom	Hosiery	Khadi	Total
1950-51	3727	742	636	-	-	5105
1960-61	5127	1900	375	-	-	7402
1968-69	4699	2201	1646	-	-	8546
1988-89	2902	3109	13123	-	367	20385
1990-91	2589	4295	13348	2696	402	23330
1992-93	2000	5209	14644	3182	430	25475

1994-95	2271	6180	15976	3748	431	28606
1996-97	1957	7456	19532	5533	540	34838
1998-99	1785	6792	20689	6277	559	36102
1999-00	1715	7352	23187	6374	575	30202
2000-2001	-	-	-	-	-	-
2001-2002	-	6300	-	-	-	-
2002-2003	-	5800	-	-	-	-
2005-2006	-	7000	-	-	-	-
2007-2008	-	7100	-	-	-	-

Textile history says that setting up of textile mills in Britain during industrial revolution with steam power; India's position in world trade was dislocated. Our producers depend mainly depended on local markets and regional markets. This decline could be dated from approximately 1821 which were the year the first assignment of British textiles reached India. From this date India became a raw material supplier. The same happened in Kerala also. Basel mission took the advantage of it considerably. Table 1 shows sector wise production of clothes in India. The main problem of this study faced is the unavailability of the data.

III. CRISIS IN HANDLOOM SECTOR

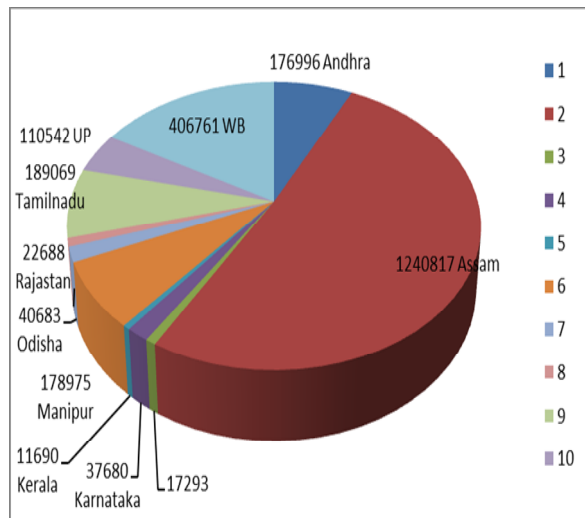


Fig 1. State wise distribution of handloom units

The handloom industry now facing crisis due to the following reasons:

1. Competition from cheap power loom clothes.
2. Scarcity of quality yarn.
3. Price escalation of raw materials.
4. Inadequacy of new designs.
5. Inefficiency of co-operative sector.

Another improvement of weaving system was that weaving process came in to a capitalist mode of production. Weavers were alienated from the traditional weaving process and were converted as coolies. Basel missionaries started a number of weaving factories and produced Khakis with the help of power loom. With the introduction of power looms weavers future declined. They were under the shadow of financial insecurity. Even after independence with more subsidies the

government could not attract more people in to this occupation. Figure 1 shows state wise production details of co operative industry in Kerala.

A weaver does not want his son or daughter follow him on this traditional occupation. This is because health hazards related to respiratory system, low wages and no social security.

IV. TRANS MIGRATION OF LABOUR CLASS

Colonial legacy reduced the share of hand loom in the production of clothes in Kerala. The occupational specialization has considered as chaturvarnya in ancient times and they have got the following advantages. Each member of the society is specialized in a job and there is sure employment for every community member. In Kerala, salya community is considered as weavers. Before colonial legacy they enjoyed great reputation and economic freedom.

But, after industrialization, that paved the way for production of cheap clothes made their life miserable. They were pushed to financial insecurity and many of them migrated to greener pastures and shifted for new profitable occupation.

There are five stages of migration from Kerala to other regions for in search of livelihood. First, stage 1900-1945, they migrated to Colombo, Burma, FMS known as Malaysia. In second stage, 1945-1960 they migrated with in India like to Bombay, Madras; Delhi. In third stage 1960-1975 they migrated to European countries. From 1975-till witnessed a mass migration to Middle East countries. The Middle East countries attracted many people for profitable employment. They earned twenty five times salary more than they get in Kerala. This paved way for mass migration.

Because of this mass migration there was a drastic drop in production of hand looms in Kerala. The migrants built huge houses and brought lands in their villages. This made younger generation to skip from their traditional employment and migrated for greener pastures like welding, painting and allied jobs.

This non-resident Indians gave better education to their children and most of them skipped from the traditional activity of weaving. Only older generation remained in their traditional activity because of hallucination to their principles. It is seen that during 2006-2007 nonresident Keralites remitted 24000 cr to Kerala state only.

Even though this kind of scenario existed in Kerala, there are many weavers still dependent on weaving for their live hood. Many weavers' co-operative societies are functioning in a proper manner and helping the weavers.

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V. THE PROBLEM.

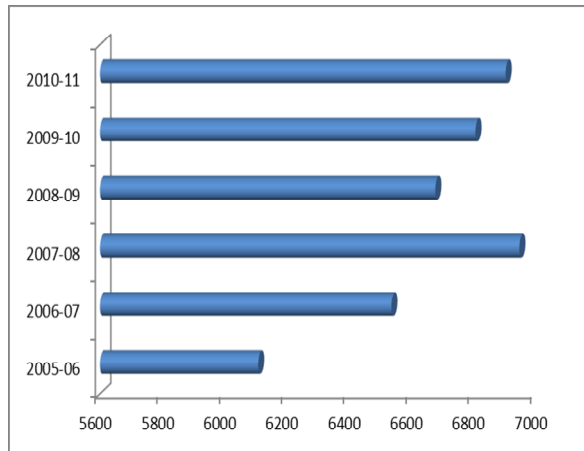


Fig. 2 Production of handlooms in MSM in INDIA

The only way to restore the pristine glory of hand loom weaving is the rejuvenation of existing co-operative societies. The Kerala state handloom weavers co-operative society was established in the year 1985 as an apex institute to play a pivotal role to procure and supply raw materials and equipments to weavers and to market the finished products through societies affiliated to the state society and their respective show rooms. There are 1700 hand loom weavers' co-operatives with approximately two lakh members across the state of Kerala. Figure 2 shows year wise handloom production of India. Considering this Kerala's average production is 23 million meters which is very negligible. In order to restore the health of small and medium weaver's co operatives many new schemes are introduced by Kerala government. From Figure 2 it is seen that production of hand loom is consistent all over years but in Kerala it is dwindling. The main reason for this is that weaving profession became unattractive for new generation because of a variety of reasons that include low wages, health related problems, low job security and mass migration of labours to Middle East countries for better wages.

Because of high unionism Kerala's production rate continuously declined in 80s and middle of 90s and most of the factories closed or shifted to other states. This is also another reason for mass migration to Middle East countries for employment.

VI. ROLE OF MSWCS IN KERALA ECONOMY

6.1 MSWCS share by sector

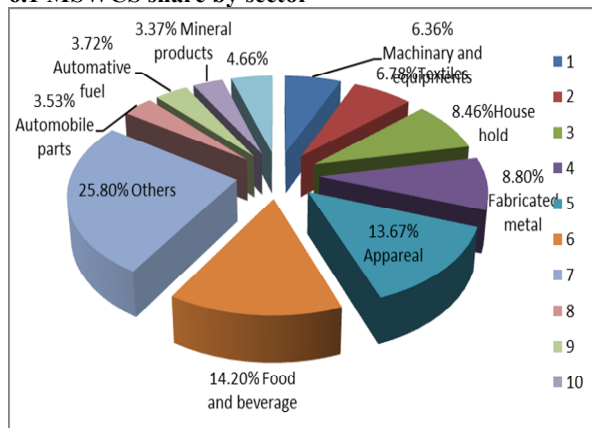


Fig 3 Productwise share of MSWCS

It is evident from Government records that food products and handloom constitute major production of Kerala economy. Food processing industry has emerged as one of the sun rising industries in Kerala where small and medium co operatives can play a role in full filling various socio economic objectives such as employment generation and export promotion. In 2000, Raidco Kerala Ltd, a leading co operative, started food processing unit in Kannur, Kerala. From figure 3 it is seen that food and textile top on the production list of MSWCS.

This sector serves the vital function of linking the agricultural and industrial segments of the Indian as well as Kerala economy. Certain measures have been taken by Kerala Government for the promotion of this sector [3].

6.2 Growth performance of SMWCS in Kerala.

As projected we observe that the SMWCS increase in a continual manner for the last decade. This is a remarkable phenomenon that observed in Kerala. From figure 4 it is seen that number of weavers in Kerala remained same throughout the years. This study limited to Kannur district only and few co operatives take part in this survey. This is because younger generation showed aversion towards weaving career and only old people remained in this sector. Making matters worse the new employment generation in this sector is minimal compared to other sunrise sectors like IT and Electronics? More professionals are attracted to these sectors than a career in an ageing co operative sector. This is also another reason for lack of professionalism in these co operatives. But AMUL has succeeded in this by attracting high caliber professionals.

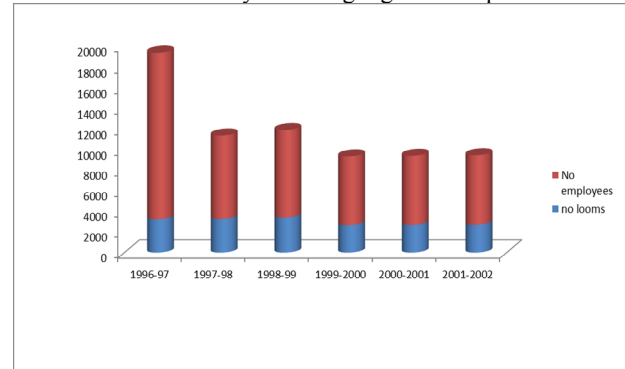


Fig 4 Employment generation and no Looms in Kerala

6.3 Sector and activity wise SMWCS.

From figure 4, data available shows that there is a decreasing trend in employment and number of registered looms. What are the reasons for such a declining trend? This paper examines the reasons for that. The figure 5 shows that majority in sector wise analysis of SMWCS in Kerala. It is found that south area has more number of units compared to north and central. South area is Travancore princely state where educational, health and industry thrived even before independence. We can cite many examples such as FACT, KSRTC University of Kerala former Travancore University to cite a few. Many co operatives are registered here even before independence under Travancore co operative act.

In order to restore the pristine magnificence of this sector the Kerala government must introduce welfare as well as incentives to this sector. Recently government of Kerala has been paying good attention to this sector. It emphasize on the following areas.

1. Modernisation and up gradation of technology.
2. Market support
3. Publicity.
4. Infrastructural support.
5. Wealfare measures.
6. Development of exportable products.
7. Research and development.

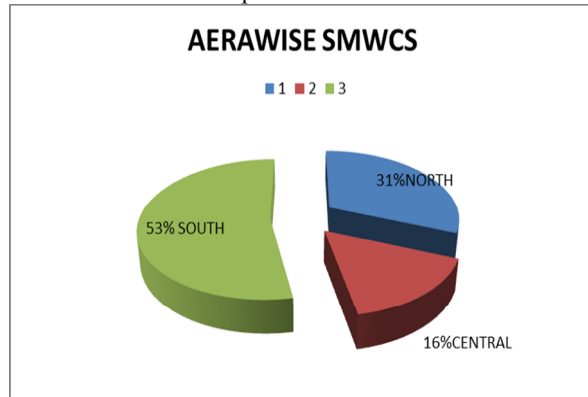


Fig 5. Aerawise SMWCS in Kerala

Table 2 shows that comparison of handloom industry with mill industry in kerala. Table 3 shows the SWOT analysis of handloom sector in Kerala. It analysis the strength, weakness, opportunity and threat of the industry in comprehensive manner.

Table 1 Comparison of handloom industry

No handlooms in Kerala	58400
No handlooms in co operative sector	46700
No power loom	5500
Composite mill loom	1238
No of weavers in co operatives	140000
Production of handloom	13800MSTM
Export	2127
MSTM	

Table 3. SWOT analysis of MSWCS

Strengths	Weakness
<ol style="list-style-type: none"> 1. Experienced employees 2. Higher profits. 3. Government subsidy and support. 	<ol style="list-style-type: none"> 1. Competition from mill products. 2. Local market. 3. Low marketing skills.
Opportunities	Threats
<ol style="list-style-type: none"> 1. High market acceptability. 2. Can access national as well as international markets. 3. Committed management and Board of directors work for betterment of society. 4. New ayurvedic clothes can be introduced. 	<ol style="list-style-type: none"> 1. Completion from cheaper products. 2. High cost. 3. High labour migration. 4. Many took weaving as part time job. 5. Frequent change of board. 6. Co operatives are highly politicized.

VII. Challenges of SMWCS in Kerala.

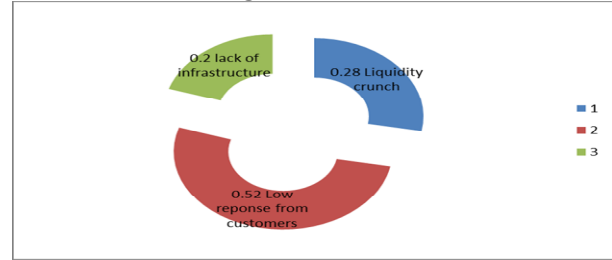


Fig 6. Kery challenges faced by MSWCS

Co-operatives are the bridge between private sector and public enterprises which provide economic as well as socio political empowerment to the people involved. Since most of the weavers in Kerala belongs family below poverty lines they do not have enough capital, technology and are unable to cope with latest change in the market. Therefore rural enterprises like co-operatives are a ray of hope as an instrument for financial as well as marketing assistance. Urgent steps should be taken to revitalize the dormant societies. Fresh working capital should be infused to the existing co-operatives. The co-operatives and state must develop a mutual relationship rather than a partisan attitude, which consider co-operatives as an inferior instrument. Figure 6 shows challenges faced by SMWCS in Kerala.

7.1 Access to the markets.

The problems in the industry are because of the low marketing skill of the marketing staff. They do not get proper training and mainly rely subsidies from government in Onam season to market their products. Underutilization of the capacity and low profit margins are the result of this. Majority of the hand loom co-operatives are in dormant state or facing liquidation. The frequent fluctuations in price of raw materials make the production and marketing miserable. Spinning mills in Kerala producing only lower count yarn, so weavers have to buy good higher count yarn from Tamilnadu. This creates artificial scarcity. The wage rate in Tamilnadu is lower than Kerala so many master weavers are migrating to Tamilnadu. They produce cheaper handlooms in the name of traditional handlooms and sell for lower price and compete with local weavers.

7.2 Lack of proper professional Management

Co-operatives in Kerala have not been quality and cost conscious for variety of reasons, including government protection and patronage. In this they have to learn from the private organization, how to make profit and how to impart new technology. The accountability of board of directors and chairman is not there in many of co-operatives in Kerala. Most of the chairman of these co-operatives in Kerala came from political background and do not have any professional background.

The board meeting and executive committee meetings are not properly conducted and most of the board members vie for TA and not interested in board proceedings. They sign whatever the chairman asked to sign. So, in these co-operatives chairman becomes a super power. Excessive political and government control make the matters worse. The employees are always afraid of taking decisions. They always rely on executive committee for approval of their decisions. This makes enormous delay in taking decisions. Most of the co-operatives do not publish and prepare their balance sheet in time, so it is impossible to get correct

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financial position of the co-operatives in time to take appropriate remedial measures.

7.3 Availability of Finance.

To receive timely and adequate finance at agreeable conditions is a tedious and cumbersome experience for all SMWCS. Most SMWCS rely on financial loans from co operative banks which are costlier compared to other sources. Getting a transaction done in a co operative bank is cumbersome and considerable time consuming. Now National Bank for agriculture and rural development (NABARD) and national co operative development corporation (NCDC) provide working capital in a cheaper manner.

7.4 Knowledge of prime technology.

This is the prime most component in competing in domestic as well as foreign markets. Most SMWCS rely in government research agencies for getting technology which is always out dated. RAIDCO Kerala had commissioned a plant at Mavilayi with the help of CFTRI Mysore, and found that it is non operational, even, from the beginning. They could have availed this technology in a cheaper rate from the local market. But, the board did not want to involve in scams in future regarding this. This kind of attitude of chairman actually spoils the organization. Figure 7 shows the barriers to technology adoption by MSWCS.

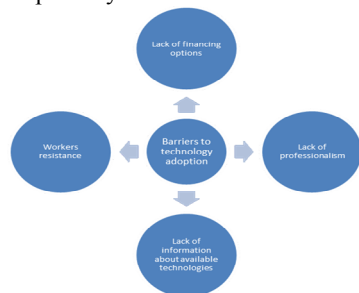


Fig 7. Barriers to technology adoption in MSWCS

7.5 Lack of proper infrastructure.

This include good means of transport, proper location, adequate electricity, which will reduce procurement cost thus cost of production. Figure 8 shows the infrastructure lack as challenged by MSWCS. In Kerala availability of land is a prime problem for starting and MSWCS. Most of the people in Kerala have a negative mindset towards an industry. So it is cumbersome for getting approvals and starting and making the factory run smoothly is a major problem.

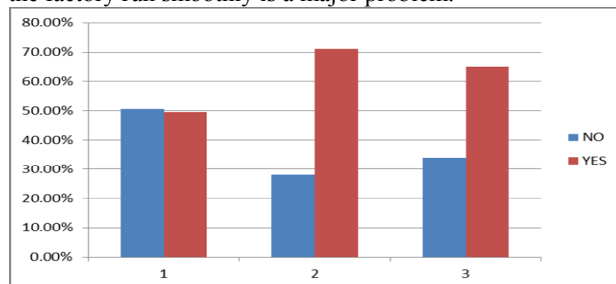


Fig.8. Infrastructure lack has a challenge.

VIII. Lack of knowledge about foreign markets.

SMWCS has to compete nationally and internationally. Proper market knowledge and information are the problems which revolve round the lack of knowledge of foreign markets. Lack of knowledge to locate foreign opportunities

and promising markets is perceived to be a major barrier in exporting handlooms.

IX. Lack of strategic planning.

The pressure of SMWCS in today's economy is what to for their customers in a cost effective way. In these days of rapidly changing technology, global markets and competitors and downsizing the following pertinent question arise.

1. Who are my present customers and who will be in future?
2. What they want now and what they want future.
3. What I do to satisfy them now and in future.
4. How much it will cost.

This should be answered with following question. What we see the organization at some future point and how we will get to this future point. And to get there what strategy is to be implemented. Many SMWCS continue their operation in a same way. This may be one of the reasons for their failure.

X. Initiatives taken by Kerala Government.

Kerala government took several initiatives in upgrading and reviving sick SMWCS. Kerala has got a consistent industrial growth rate of around 10.5% for the last one decade. Contribution of this sector will be around 9.26% in 2009-2010. Some of the schemes implemented by government of Kerala:

1. Credit facility.
2. Raw material supply and support.
3. Marketing of products.
4. Design improvements to compete with private sector.
5. Welfare schemes such as health packages to labourers, thrift fund and insurance schemes.

CONCLUSIONS

Every society tries to develop coping mechanisms when they face occupational problems. In Kerala there is a migration from traditional hand weaving to other profitable employment due to lack of opportunities in weaving. Weaving considered as a traditional occupation but lack of finance, lack of technological advancement and in ability to cope with newer marketing strategies they were forced to abandon traditional job and forced to find new venues to satisfy their basic needs. In this scenario organized co-operative societies can play a great motivational role in building up confidence in the existing weaver community and can play a great role in rural development.

Even though there are set back in co-operative movement, it can be seen that some co-operatives actively participating in rural development and promoting welfare programs among weavers community and development. To revive and to make this sector a profitable one Kerala Government adopted many strategies.

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