Current Status of the Coir Industry in Kerala: A Critique (2015)

Final Report

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Acknowledgments

This study on the **Current Status of the Coir Industry in Kerala (2015)** was undertaken due to the request made by the members of the Coir Industrial Relations Committee (CIRC) which was approved by Sri. V.K. Balakrishnan. I.A.S, Labour Commissioner and Chairman of CIRC at that time. It is understood that, apart from the usual grievances regarding wages and perks, there are fundamental issues regarding labour productivity, mechanization and optimum utilization of the installed capacity of the large units and the frequent requests of labour for increase in wages and perks without linking them with proportionate increase in outputs.

Managements insist that labour and their leaders should ensure optimization of production and productivity and ease of doing business without any hassles. It is understood that the Exporters and the large units in and around Alappuzha constitute the main driving force of the coir industry since they are the ultimate buyers of the yarn and other products made by the large number of coir co-operatives, small-scale units and the household ones. It is felt that these organized companies should be free from constraints and threats of frequent strikes and struggles so that they could together focus on strengthening the coir sector with more business turn over and export income.

Likewise, the empowered labour in the industry does have long-time grievances and unresolved disputes awaiting redressal. This study is conceived as an "open forum" for expressing the grievances felt by both the parties so that IRC could initiate solutions that are mutually acceptable and ensure industrial democracy and peace at the work place.

Facts and figures required for the study have been obtained from several institutions such as the Directorate of Coir Development, Project Offices of Chirayinkeezhu, Kollam and Alappuzha, Coirfed, Coir Commission, Coir Board, Federation of Indian Coir Exporters' Associations, Kerala State Planning Board and a host of others. The Core Committee on Research (which was entrusted with the onerous responsibility of conducting the study) on behalf of KILE

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Executive Director,
KILE

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List of Abbreviations

AACC	:	Anathalavattom Anandan Coir Commission
ASI	:	Annual Survey of Industries
CBS	:	Coir Board Study
CFC	:	Common Facility Center
CCRI	:	Central Coir research Institute
CICT	:	Central Institute of Coir Technology
CIRC	:	Coir Industrial Relations Committee
COIRFED	:	The Kerala State Co-operative Coir Marketing Federation
CSES	:	Centre for the Study of Economy and Society
CVCS	:	Coir Vyavasaya Co-operative Society
FICEA	:	Federation of Indian Coir Exporters Associations
FOMIL	:	Foam Mattings India Limited
GoI	:	Government of India
GoK	:	Government of Kerala
ICDP	:	Integrated Coir Development Project

KITCO	:	Kerala Industrial and Technical Consultancy Organisation
MDA	:	Market Development Assistance
MEP	:	Minimum Export Price
MMS	:	Mats and Mattings Societies
MNREGS	:	Mahatma Gandhi National Rural Employment Guarantee Scheme
MSME	:	Micro, Small and Medium Enterprise
PMI	:	Production Marketing Incentive
PPES	:	Purchase Price (Enforcement) Scheme
PPSS	:	Purchase Price Stabilisation scheme
TN	:	Tamil Nadu
TVCS	:	Thondu Vyavasaya Co-operative Society

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Preface

The study is conceived not as a typical academic research project. Rather, this is more of a fact-finding investigation – just to assess the current status of the coir industry in Kerala, understand its needs and problems and suggest feasible remedial measures. It is a diagnostic study of cause-effect relationships: why a good number of co-operative societies and small units have failed or struggling to survive and at the same time, how some others are financially stable and prosperous and ensure 20-25 days of work per month and regular payment. The project tries to learn lessons from the experiences of a good number of primary stakeholders engaged in the industry.

Likewise, the large organized industrial units in and around Alappuzha suffers from restrictions unwittingly imposed by the powerful trade unions in respect of mechanization, optimization of production and productivity and profitability.

The study also examines the large number of household units engaged in retting, beating, willowing and spinning and understand their needs. The focus is on primary data collected directly from the various units through personal interactive sessions. This has been supplemented and complemented with the facts and figures obtained from the leaders of trade unions, Coir Inspectors and the various supporting institutions.

The Central and the State Governments have done a lot to put the coir industry on the right track. Somehow or other, the performance of the industry except the large units is somewhat disappointing and a good number of workers have lost their jobs and wages. Something is amiss in the management of the industry by those who are in charge of it, at the grassroots level. This investigation tried to find out the stark ground realities.

A good number of studies have already been undertaken by the Commissions appointed by the State and the Central Governments, Ph.D scholars, Coir Board and a host of others regarding the various aspects of the coir industry in Kerala and in other states. Among them, studies conducted since

2000 have been gone through thoroughly and their findings are examined. Some of these findings are found to be very valuable since they still reflect the field realities. Many of their recommendations are very relevant and pragmatic and hence, they are accepted with acknowledgments and gratitude.

The theoretical framework of the study consists of entrepreneurship, principles and norms of modern business management and the factors leading to industrial sickness. The traditional industrial sectors such as coir, cashew, handloom, bamboo, pottery and handy-crafts should not be and could not be looked at as sectors ever depending upon the special charity of the government. At best, the government can provide the infrastructural facilities and the initial capital.

It is obvious that the study is very comprehensive and diagnostic in its design and approach. The negative factors (variables) which impact adversely on the co-operative societies, small-scale enterprises of mats and mattings and the large number of household units lying scattered in the coastal districts of Kerala, are identified and on the basis of the findings, appropriate solutions are suggested.

March, 2016

Executive Director,
KILE

Executive Summary

1.0 The background

The coir industry is perhaps the largest industry in the coastal villages of Kerala. The State, with its favourable ecological setting, abundant supply of coconut and skilled labour has provided the conditions necessary for its growth and development. The industry attracts considerable budgetary support each year from the State and the Central Governments and is also a large earner of revenue through export. In 2013-14, coir and coir products generated about 1630 crores worth of foreign exchange.

The characteristic of this industry is that it is traditional, labour-intensive and of a self-employed production structure. But, the top layer namely, the 27 and odd large coir companies is mechanised and modern in its working and business.

Soon after Independence, the foreigners who owned the factories in Alappuzha-Cherthala belt left the scene after handing over the units to a group of local industrialists and workers' unions. They could not manage the business properly and generate more incomes and job opportunities.

It was felt at that time that the newly set-up coir companies were exploitative with the support of intermediaries. Sensing the crisis, the Government of India (1945) appointed a committee under the chairmanship of K.C. Karunakaran and the Government of Travancore in 1949 constituted another committee under the chairmanship of Smith to study the issues related to the industry. These committees recommended the re-organisation of the industry on co-operative basis and accordingly, a scheme was launched by the erstwhile Government of Travancore in 1950 to co-operativise the industry. The response of the workers and their unions were very positive and large number of co-operative societies came into existence. Presently, 536 societies are working. The total number of societies registered is 993 (2015).

Meanwhile, in and around Alappuzha District, a large number of privately owned small weaving units (about 10,000) and their products (mats and mattings) are procured by the large exporting companies which do the finishing work. The lowest layer consists of large number of household units spread all over the villages in the coastal districts. Unfortunately, we don't have the correct number of workers directly and indirectly employed in the coir industry in the State. The estimates range between 40 thousand and 3.5 lakhs. And majority of them are women.

2.0 Needs and problems

This study is a diagnostic type of investigation into the positive and the negative factors which impact on the units in different layers, determining their profitability or loss.

2.1 The top layer

It consists of the Exporters and the large companies. In general, it can be stated that this layer is the main driving force of the coir industry in Kerala. Through efficient marketing in foreign countries, they earn foreign exchange as well as promote production in the other layers. For, the coir industry is market-driven and it continues to be in the buyers' market.

The companies satisfy most of the statutory rights and benefits intended for labour. The average daily wage (Rs. 450 for men and Rs. 377 for women) and benefits (bonus @ 30.13%, PF @ 11.36%, ESI @ 4.75%, leave with wages @ 5%, holiday wage @ 4.25% and gratuity @ 5%) range between Rs. 500-700.

However, there are a few **unresolved issues** such as:

1. Irrational way of paying exchange benefit

Since the companies are market-driven, on the basis of the exchange rate of dollars, wages should be enhanced (as demanded by labour) but once it is enhanced, it cannot be reverted when the situation changes. This irrational way of paying exchange benefits is seriously affecting the economics of the companies' business.

2. Variable dearness allowance

Whenever the wages of workers in small-scale units and co-operative societies are increased, there is compulsion to increase the wages and DA of company workers also. The variable component of DA is 99.24%. Even those factories having their own long-term settlements (LTS) with their unions are not spared from this compulsion.

3. Resistance to productivity

According to the company managements, there is resistance from labour to increasing production and productivity through mechanization and modernisation. The managements declare that "unless productivity is enhanced, there is no chance of further enhancement of wages. Frequent unscientific enhancement of wages will affect the companies' existence."

3.1 Furthermore, FICEA representatives state that "if we bring in a machine to one of our organized factories, the unions will first run the machine at half or lower of its rated output. Then, they will fix a basic piece rate for that job. From then on, that piece rate will not go down – it will only go up, based on periodic negotiations, strikes, increases announced by minister etc. And most importantly since the wages have an almost 99.30% variable DA component, it will shoot up with increasing DA……so the investor who is investing in that new machine will end up paying double the wages."

4. Inter-union rivalry

Day-to-day work-related problems could not be resolved because of lack of unity among the various unions. What the leaders agree individually in private discussion, they disagree when they come together for collective negotiation.

5. Frequent strikes

When some problem arises in some factory which, if it is not immediately resolved by the particular management, the unions will then resort to a **general strike** in the industry in toto just to press their demands. Even the legally abiding factories are not spared. This obviously causes loss in production for no fault of theirs.

6. Hand-spinning Vs machine-spinning

Kerala is still predominantly doing hand-spinning. The output of about 10 kg per person per day hasn't changed in decades whereas in Tamil Nadu, the output currently stands at about 60 kg per person per day thanks to mechanization. And the output in TN is increasing every year. Gradually, coir industry is moving to other states such as TN, Karnataka, Andhra Pradesh and Odisha where mechanisation is welcomed and the fruits of productivity gains are shared fairly between the investors and the workers. This could be a model for Kerala.

7. Complexity of the working environment

The working environment in the Ambalappuzha- Cherthala taluks is "every bit politicized and unionized. Frequent strikes in different sectors – each and every one of them bringing the industry to a halt. Delayed shipments result in huge penalties or cancellation of orders. Constant, never-ending cycle of negotiations leave the investors with little time to concentrate on real business issues related to finance, marketing, sales, product development etc.

8. Shifting of units to Tamil Nadu

Many of the major companies in the Alappuzha region have already established auxiliary factories in Tuticorin, Pollachi,

Thirupur and other parts of Tamil Nadu. Part of the manufacturing process is carried out in these units and brought to Kerala for the final conversion and export.

Reasons for the shifting of units to TN are: cost of inputs in TN is less, comparatively low wages, uninterrupted production, no restrictions from trade unions, better quality of products, disciplined work force, machine mode of production, gain in the benefits of mechanization, uninterrupted power supply (improved recently), no strikes and sudden stoppages of work.

Since the Kerala factories have commenced their units in Tamil Nadu, if the constraints in doing business in Kerala imposed unwittingly by the unions are not considered and resolved, the possibility of shifting more of their business to the units in Tamil Nadu in the near future cannot be discarded.

2.2 Coir co-operative societies

About 76% of the total coir societies in India are located in Kerala. Ninety-three per cent of members and 74% of the workforce belong to Kerala. The co-operativisation scheme is aimed at solving the problems of the actual workers and the small producers engaged in the industry, ensuring them regular work and a living wage, stabilising the industry on a sound and stable footing by cutting out middlemen and eliminating corrupt practices; and establishing improved standards and quality for the products so as to attract and ensure a better market.

The total number of societies registered up to 2015 was 993. Out of these, only 536 are working. According to the Directorate of Coir Development (GoK), only 154 were generating profit in 2014 and 164 in 2015.

The societies are suffering from constraints such as: working capital shortage, inefficient management of finance, lack of business perspectives and skills, indebtedness, inability to utilize machinery, increases in production cost due to conventional manual labour, refusal of the shareholders to provide financial support when required and the indifferent attitude of secretaries towards work due to salary arrears. These are negative internal factors.

The negative external factors are: increasing price of fiber imported from TN, low quality of brown fiber, delay in getting the payment of the yarn sold to Coirfed, non-availability of skilled workers when required, unrealistic fixation of prices of yarn by the Grievance Committee (under PPSS & PPES), unsold stock of yarn blocking capital, burden of bonus, ESI, PF and leave with wage, delay in getting subsidies from government and ineffective supervision by Coir Inspectors.

2.3 Small-scale units

There are about 10,000 units in Alappuzha region, mostly owned by individuals with entrepreneurial skills and business perspectives. Basically, this is a handloom sector producing mats and mattings as per orders obtained from the big coir companies and the Exporters. These are small units consisting of three or four looms working in small sheds erected in the premises of the houses of the owners. Including the family members, the number of workers will be in general, less than 10. The average daily wage ranges between Rs. 200 – 300 depending upon the quantum of production calculated on piece-rate.

One of the major problems faced by these units is that the price of the products made by them are determined by big traders, not taking into consideration the actual cost of production plus a reasonable profit margin/net income for the units. Hence, many of these units are incurring debts. Realizing the crisis in this layer, the State Government entrusted the task of implementing PPES to the Coir Corporation. According to this, the orders obtained by the exporters from foreign markets should be passed on to the Corporation which in turn, passes it on to the small units. The finished products would be taken over by the Corporation and passed on to the Exporters. As an incentive, the Exporters will get a subsidy of 7.5% of the product price. Still, the system does not function satisfactorily due to various reasons such as scarcity and high cost of raw materials, power shortage, financial crunch, low product-cost and unwarranted or unreasonable rejection of the products by the Exporters.

2.4 Household units

These units have most of the characteristics of a typical traditional coir industry. These are engaged mostly in spinning, weaving and fiber extraction work; of which spinning accounts for 75%. Interestingly, three-fourths of all coir

workers are women. However, the exact number of these micro-units in Kerala is not available.

A typical household unit is mostly engaged in manual work using conventional ratt. Of late, motorized ones are getting popular. For many of the women, this is a leisure-time activity. They don't write accounts of incomes and expenditures, no calculation of profit and loss, less understanding of coir market conditions and the exploitative role of middle men traders. There is no one to educate them, provide information about the changing coir market situations, train them in calculating profit and loss and the basic principles and strategies of self-employment or entrepreneurship. They do not get any financial support as grant or subsidy from the State Government for doing business. Unlike the coir cooperative units, these household units are left to fend for themselves.

3.0 Observations and suggestions

On the basis of the facts and figures collected, the study team could understand the basic needs and problems of the coir industry in Kerala consisting of different layers. The following observations and recommendations are evolved for the consideration of the State Government, presidents and secretaries of the coir co-operatives, senior leaders of coir workers' unions and officials of the various supporting agencies.

3.1 Functional constraints

As indicated earlier, the managements/proprietors of the large units especially in Alappuzha and its suburban areas experience certain functional constraints, unwittingly imposed by their workers/unions (See Chapter II). The managements want to regain **the right and the freedom** to mechanise and modernize their factories in order to optimize production and productivity. They aver that the export market has its own norms, trends and time-lines. Without the spontaneous cooperation of the workers and the unions, the requirements of marketing and the requirements of the business in general, cannot be achieved optimally. The State Government is requested to intervene in the matter and bring about stable reconciliation in the matter of norms of work in respect of mechanization, modernization and labour productivity. Wages and perks have to be linked to their performance in terms of their standard outputs. It is desirable that negotiation for wage settlements based on unscientific collective bargaining once in 3 - 5 years as a routine practice has to give way to scientific facts and

figures, business economics and paying capacity of the units. Besides long term agreements signed by a unit with its unions should be recognized and approved by IRC. The issue assumes greater significance because frustrated managements are slowly shifting their business to Tamil Nadu where the industrial climate, according to them, is hassle-free.

3.2 Husk procurement

There is persistent failure in collecting raw husk from households and copra traders and passing it on to the (536) live primary societies for retting, de-fibering and spinning yarn. Recently, the Directorate of Coir Development has come out with a comprehensive scheme to resolve this crisis.

3.3 Retting

This practice is to be discouraged since it strongly pollutes ponds, canals and lakes. Also, affects the health of the workers, engaged in retting, beating and willowing. The industry has to be taken forward in an eco-friendly manner.

3.3.1 Technological inventions in retting

The Central Coir Research Institute (Alappuzha) has developed a bacteria consortium known as 'coirret'. It can reduce the retting period to 78 hours. If the process is made eco-friendly, it should be promoted urgently.

3.4 De-fibering

There are about 68 de-fibering units (DF Mill Societies) at present. Out of this, only 22 are working. In the private sector also, there are several dysfunctional units. All these need to be revived and activated along with the proposed concerted efforts of the Coir Directorate to collect husk and make the fiber available to the production units. The Directorate has already taken steps to distribute, free of cost, 100 and odd DF machines to CVCS. The Coir Inspectors have to ensure that they work efficiently and produce the expected results.

3.5 Middlemen traders

One of the objectives of co-operativisation is to eliminate middle men from the coir sector since they were/are very exploitative and deny the actual workers what they deserve such as enhanced wages and perks. The president and the secretary of each unit should try to keep away these middle men as far as possible.

3.6 Fair price

One of the reasons for the poor performance of the co-operative societies is the 'unrealistic' fixation of price for their products by Coirfed/Coir Corporation. The present norms for fixing the price periodically should be critically examined. The profit margin of the unit has to be enlarged so that they will be able to increase the wages a little and implement social security measures such as Provident Fund, ESI and Gratuity. In other words, in one sense, the sustainability and the prosperity of the co-operative units largely depends upon the price offered by Coirfed/Coir Corporation.

3.7 Quality-consciousness

During field work for data collection, several presidents/workers of co-operative units complained that some of the Coirfed officials are prejudiced in their outlook and attitude and reject their products in the name of such standard quality or reduce the price, thereby, eroding the profit of the unit. However, the workers, presidents and secretaries of the units need proper orientation on the importance of the quality of the products and the prescribed quality standards for each product so that they become marketable.

3.8 Mechanisation

From a business point of view, mechanization of the production process is a must in a competitive world market. The State and the Central Governments have already taken several steps to promote appropriate technology through various schemes. But, due to improper implementation, the targeted degree of mechanization has not taken place, unlike the situation in Tamil Nadu.

3.9 Revamping the work culture

One of the chronic lacunae of the de-fibering units and the hand-spinning units is their low output and productivity. The State Government has been very generous in providing capital for purchasing machines and other accessories. But, several coir co-operatives are found to be incompetent in making the optimum use of them. Due to poor maintenance and lack of operational skills, machines have become a liability to several units and a few of them have dumped them in a corner of the work-shed. The Coir Inspectors ought to have ensured the right operations and care of the machines and optimize the output. This is not happening. In other words, work culture and work ethics have to be geared to suit mechanization and modernization. The Inspectors should serve as the king pin of the expected changes.

3.10 Different criteria for subsidy

Governmental subsidy and other assistance to CVCS are to be linked with volume of production and the number of days of employment generated and not on the basis of sales to Coirfed (V.S. Jose, 2002). The study team agrees with this stipulation because it is performance-oriented

3.11 Negative strategy

In the present scenario, with all the administrative, financial and marketing support, many a CVCS finds it difficult to successfully carry out its day-to-day operations. Hence, the (negative) strategy of some societies is to cut short the number of working days, so that the net loss could be minimized. A positive correlation is observed between the number of working days and the quantum of loss. The loss increases with the increase in the number of working days and obviously, decreases with the decrease in the number of days of work. Hence, the quantum of loss could be reduced through deliberate efforts on the part of the societies by reducing the number of working days. Its adverse impact is loss of wages for the workers.

3.12 The burden of loan

Several failed/failing units have incurred huge debts payable to co-operative banks, National Co-operative Development Corporation (NCDC) and other sources. Obviously, due to persistent demands from these units, the State

Government converted the debts into shares in 2008 and relieved the debt-burden of these units. Seven years have passed since then and the financial position of several units is no better. They have debts accumulation to the tune of 20 – 30 lakhs, even up to 90 lakhs and they look up to the government to get them written off once again. The Government has to examine the issue seriously with discretion and take an appropriate decision whether these units are to be liquidated forthwith or shoulder the huge financial burden of reviving them once more.

3.13 Weeding failed units

A good number (120) of units is on the liquidation list for several years; several others (372) are struggling to exist mainly to avail themselves of the financial benefits offered by the State Government. Quick weeding out of the failed ones and the rapidly failing ones is necessary. A panel of experts should examine the surviving ones and suggest appropriate measures for reviving them. Meanwhile, no more registration of new societies.

3.14 Change of guard

Presidents, secretaries and members of the elected management committee of the co-operatives who had mismanaged the units into incurring huge losses and debts should be strictly prevented from assuming office hereafter, since they have proved their **inefficiency** in managing the units and their business. Pumping more money as subsidies into their hands again and again is not at all desirable.

3.15 Accountability

The president, secretary and the local coir inspector are the key personnel intended to manage a co-operative unit as a business enterprise. They should be held accountable for the failure of the unit with severe censure and demotion.

3.16 Common Facility Centers

Such centers enable the local units to avail themselves of modern technical facilities for de-fibering, willowing, spinning, weaving, bleaching and dyeing, packaging etc at low cost. The center could provide technical training to the workers in operating such machines effectively.

3.17 Ensuring the principles of co-operation

This suggestion is mooted because it is found that many of the societies are co-operatives only in name and not in structure and style of functioning. A CVCS should be managed as a profit-oriented business enterprise.

3.18 The "depotkar"

The price of a product is largely determined by the exporters and the big companies. The tendency noticed is to bring down the purchase price as low as possible so that their profit maximizes. Since the intervention of the State Government in determining the price through PPSS/PPES/Grievance Committee, a host of intermediaries have entered the scene and broken the direct link and business between the exporters and the small-scale producers, numbering about 10,000. The "depotkars" are the brokers and do their best to pull down the PPSS prescribed price. The suggestion is to eliminate these intermediaries and ensure fair price of the small producers of mats and mattings. Government has to compel the Exporters' Association to have **direct dealings** with the small producers and ensure the price determined from time to time.

3.19 Household units

They need credit facilities for enlarging their units with motorized/electronic ratts and other suitable gadgets so that they could increase their productivity, quantity and quality of the output and the net income. Self-employment endeavours need a well-designed support system – not freebies. A census of household units in Kerala is necessary to collect dependable facts and figures so that an appropriate support system could be developed.

3.20 Project administration

The State Government has introduced a good number of schemes for strengthening the co-operative units and others for the past several decades. But, due to various reasons, the expected results and benefits have not been achieved so far. Hence, the project administration needs to be calibrated from top to bottom. Presently, the monitoring and review process is ineffective. Officials in charge of executing the projects at the grassroots level, need to be a little more demanding for better performance of the units and be assertive

during supervision. Auditing of accounts needs a little more verification with the functional realities of the unit, based on the number of days of work generated and the actual volume of production per year.

3.21 Union as the catalyst

Since the union leadership has control over the primary personnel in the coir industry, it is felt that the leadership should take the initiative to play the role of a strong **catalyst** in putting the industry on the right track, in collaboration with the efforts of the State and the Central Governments. Merely, pumping in more money and other benefits through various schemes into the sector has not succeeded so far. The present "dependency syndrome" of the coir industry (except the large manufacturing units) on the State and the Central Governments has to be discouraged forthwith and insist on developing "business syndrome" so that the units become "independent" income-generating enterprises.

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Chapter I

Introduction

1.1 The background

Coir which is known as "the golden fiber", is put to a variety of uses, both industrial and agricultural. Coir industry is perhaps the largest industry in the coastal villages of Kerala. The State, with its favourable ecological setting, abundant supply of coconut, and skilled labour, has provided the conditions necessary for its growth and development.

The process of production begins with de-husking, which is largely concentrated in Kerala, as this State produces sufficient quantity of nuts (4,886 million nuts) in 2014-15. (The Hindu, dt., 28-04-2015) In addition to this, facilities like lakes and lagoons for retting the husk and the availability of traditional expertise of the people in coir work also added to the phenomenal growth of the industry in Kerala.

History tells that ancient Greece, Egypt and Rome used coir ropes made in Kerala for the construction of houses, citadels, ship mast and mansions. It was with the arrival of the Portguese in Kerala that the coir trade spread to the European countries. The British interest on Kerala's coir products made them conduct an exhibition on coir products in London in 1851.

The industry is comprised of fiber making, yarn making, mats and mattings, rubber backed mats, synthetic backed mats, rubberised beds and various other useful products.

The first coir factory in the country was started in 1854 by an Irish man named James Darragh, at Kulachal and Alappuzha. The factory was named, "James Darragh, Smail & Co. Ltd." with its registered offices in London and New York. The success of Darragh's company attracted many enterprising businessmen to Kerala to set up similar factories in the State for production and export. In course of time, demand for coir and coir products increased and

several coir factories in and around Alappuzha came into existence.

After Independence (1947), the foreigners left the coir scene and most of the large factories were closed down. Some of them were taken over by the workers' unions themselves and re-oragnised on cooperative basis. But, lack of competence of workers to manage the units on commercial basis affected the growth of the coir sector. Coir exports dwindled. Large number of workers lost their employment. (V.S. Jose 2002)

One-third of the villages in the State may be called as 'coir villages' and one-third of land in Kerala is used for coconut cultivation (Coir Board, 2001; GoK, 2009). The industry attracts considerable budgetary support each year from the State and the Central Governments and is also a large earner of revenue through export. In the last financial year, (2013-14) coir & coir products generated about Rs. 1630 crore worth of foreign exchange. (Federation of Indian Coir Exporters Associations (FICEA)

The household units are engaged mostly in spinning, weaving and fiber extraction work; of which spinning accounts for 75% of household employment in the industry. The characteristic of this industry is that it is traditional, labour-intensive and of a self-employed production structure. It has become the main source of non-agricultural employment in the region in the nineteenth and twentieth centuries. (Isaac et al., 1992)

Though modernisation and innovations were introduced in the industry across the twentieth century, the response to mechanisation has been negative in Kerala, during most of these decades. The resistance to mechanisation and large-firm entrepreneurships was at its height from the 1950s to the 1980s, threatening to escort the industry into a long-term technology lock-in. For the local trade unions, efforts at mechanisation actually became the 'struggle' against labour displacement within 'capitalist' mode of production. So strong was the trade union movement in this industry, that most of the literature finds it hard to separate the analysis of technological change in coir from the saga of trade union movement in the State.

From the late 1990s onwards, trade unionism and the coir industry in Kerala slowly began weakening their bond – not out of any ideological defeat, but out of desperation in the industry. Though not a contemporary work, Isaac et al. (1992) is a useful reference for a detailed description of the evolution of

technologies for the production of coir fiber. This work also critiques the feasibility of each innovation of synthetic substitutes, far more attractive and less expensive, signalled that only a huge overhaul in the coir industry could save it from the eventual replacement of coir by these substitutes. Also, severe shortages of coconut husks (the chief source of the fiber) and a shortage of young new labour willing to work in this industry gave a further inevitability to consider modernisation very seriously. Due to these two factors, the coir industry slowly became by the 1990s, a 'sick' traditional industry. (Anant Kamath, 2009)

The industry that earlier vociferously resisted technical change and prided on its traditional technologies, now saw itself in critical need for innovation in production techniques. Earning, being on a piece-rate basis, depended principally on productivity, thus necessitating new technologies in place of (or in harmony with) older traditional techniques. By the end of the 1990s, the only path to survival appeared to lie through technological advancement in machinery and in process innovations as well as product innovations.

Introduction of technological change since then has been more of a **top-down approach** in Kerala, and has only superficially reached the household sector – the broadest part of the industry. In fact, a comprehensive survey of the coir industry by the Centre for the Study of Economy and Society (CSES) in 2008 showed that the majority of households in the State used mostly intermediate technologies, despite the highly subsidised availability and rigorous promotion of advanced innovations across all stages of coir fiber production.

The interesting twist to the tale of the coir industry in Kerala arose in the decade after the 1990s. It was discovered that the solution for survival and prosperity of coir in Kerala lay not only in process innovations, but also in product innovations in the domestic and industrial applications of the fiber and by-products of its production. Until the beginning of the decade, most R&D focused on process innovations at each stage of production of the fiber:

1. Bio-chemical treatment was introduced to replace the polluting and drudgingly slow traditional method of retting (ie. submerging large numbers of coconut husks, bound together, in fresh water for eight to ten months to loosen fibers from the coconut shell).
2. De-fibering machines were introduced to eliminate the unhygienic and potentially dangerous method of manually beating away the fiber from the husk by hand after the retting process; and

3. Spinning machines were introduced whereby, the spinner could simply sit down rather than walk lengthy hours a day in front of hand-operated spinning wheels, spinning the yarn from fiber that was extracted from the coconut after retting and beating.

It was assumed that introduction of innovations in each major stage of creation of coir yarn would result on the whole production process eventually becoming mechanised and more efficient. Earlier studies (Isaac et al., 1992; Rammohan, 1999) focused on the economics of the process innovations such as these, while newer studies and policy documents (Coir Board, 2001; Rajan and Kumar, 2004; GoK, 2009) highlight the product innovations in the coir fiber itself. (Anant Kamath, 2009)

1.2 The problem and its significance

In spite of various promotional agencies such as the Coir Board (1953), Coirfed (1979), Kerala State Coir Corporation (1969), the Directorate of Coir Development and other support systems, the State Government feels that the coir industry is somewhat in a crisis situation at present except the large organized units.

DR. K.S. Manoj, MP in the Indian Parliament on 21 March, 2005 spoke about the declining trend in the coir industry in Kerala:

"I would like to draw the attention of the Parliament as well as the Hon. Minister for Agro and Rural Industries to the sad plight of the traditional coir factory workers in Kerala. There are about four lakhs coir workers out of which two lakhs are women. They are working in the traditional sector. There are about 12,000 coir factory co-operative societies. But the future of these coir factory co-operative societies and also those who are working in these factories is in danger.

"Sir, formerly, in order to facilitate production and marketing of coir products, subsidies and rebates were given, but now all the rebates and subsidies are withdrawn. Instead of rebates, MDA, that is, Marketing Development Assistance is given. But this is not given timely. These co-operative societies are not allowed to use the MDA for their day-to-day activities. So, I urge upon the Government that instead of MDA, rebate should be given. Also, formerly, there was minimum export price as well as minimum purchase price for

the coir products, but now it is not there. So, the small-scale manufacturers as well as the co-operative societies have to give their products at a very low price. The exporters make them sell their products at a very low price. So, I urge upon the Government that minimum export price as well as minimum purchase price for the coir products should be re-instituted, and instead of MDA, rebates should be given to the coir products."

Inaugurating a national seminar on "Possibilities for Coir Co-operative Sector" at Coir Kerala 2014 by Sri. K.C. Venugopal, Minister, Central Government said that the coir societies play a major role in ensuring jobs to lakhs of coir workers.

"We need to seriously probe the reasons why the benefits are not reaching the coir workers. The Public Sector Undertakings (PSUs) like Coirfed and Coir Corporation should devise measures to help the coir societies which are the lifeline of the traditional coir industry," he said.

The Minister suggested that the Coirfed should consider allocating mobile fiber extraction machines to the coir societies and help them explore innovations in coir products. He also suggested increasing the work days of coir workers in a month. "Workers are complaining that they are getting work only for five days in a month. We need to increase the number of work days to ensure that they get a decent wage to run their family," he added.

The coir cooperatives comprising about 993 units (2014-15), did not prosper in spite of strong financial support and direct supervision by the State Coir Development Department. The same can be said about the 10,000 and odd small units as well as the large number of household units. The daily wage is as low as – Rs. 250 – 300 per day, the number of working days per month is less than 20, production and labour productivity is low due to manual labour, bereft of machinery and modern tools and lack of business perspectives and skills among the primary and secondary stakeholders. Job opportunities in the sector are declining and the younger generation is reluctant to take up work in the coir sector. The situation is further complicated by shortage of husks at present and stiff competition from Tamil Nadu, Karnataka and Andhra Pradesh.

A diagnostic analysis of the crisis in the coir sector is necessary in order to arrest its decline and disintegration. Factors (variables) that are responsible for the crisis – internal and external need to be identified and eliminated.

1.3 Objectives of the study

1. To assess the current status of the coir industry in Kerala and examine whether the industry is progressing or declining in terms of certain standard parameters. The economics at the micro, meso and the macro levels of the industry will be thoroughly studied from a business point of view.
2. To identify the positive and the negative factors (variables) which impact on the industry and its business prospects. In this respect, the functioning of the various promoting institutions such as the Coir Board, Coirfed, Coir Development Department, Coir Co-operative Societies etc. will be looked into.
3. To examine the scope for mechanizing and modernizing the coir industry, appropriate to the micro, meso and macro levels to enhance productivity and profitability
4. To assess the wage structure and other benefits enjoyed by the workers of the various sub-sectors of the coir industry and examine their adequacy vis a vis the productivity of labour and the paying capacity of the units
5. To elicit the view points of the various primary and secondary stakeholders of the industry for developing appropriate strategies and support systems to rejuvenate the industry and ensure job security and prosperity for the stakeholders

1.4 Basic Questions

1. What is the need for enrolling 600 – 900 share holders in a typical coir cooperative society while the number of actual workers directly engaged in production is less than 20 and the average number of working days is also less than 20 per month?
2. One of the chronic grievances among the small-scale and household units is that the market price of their products is so low that their net gain is rendered very low and hence, insufficient and unattractive. In this context, it is necessary to find out, who is controlling and fixing the price of coir products in the internal market?
3. What are the local factors that motivate or compel the big coir factories in the Alappuzha – Cherthala belt to set up branch units in the Pollachi – Thoothukudi industrial corridor?

4. In spite of diseases such as mandari, kattuveezhcha, coombu cheeyal, manjalippu, Kerala produces sufficient nuts and husks for the coir industry. Yet, what is it that prevents the local coir producers from mobilizing and procuring sufficient husks from the households and the large number of copra units?

These objectives, basic questions and the methodology given in the project proposal were presented first at a meeting of the representatives of the managements of big organized coir units and later, at a meeting of a group of senior union leaders who are active in the coir sector. Their suggestions were accepted and incorporated.

1.5 Theoretical background of the study

As indicated earlier, the coir industry in Kerala, except the large organized ones, is in a crisis situation. The cooperative sector consisting of about 800 and odd units, the small-scale sector consisting of about 10,000 units and the public sector units such as Foam Mattings (India) Limited (FOMIL), units of Coirfed etc. are in difficulties. Most of these units were prosperous in the beginning but slowly started declining due to various factors – frequent increase in the price of raw materials, increase in the cost of production leading to low productivity, lack of appropriate mechanization, non-availability of labour when required, mismatch between the cost of production per unit and the price of products in the market and competition from Tamil Nadu and other states. In other words, the coir sector except the large ones, is on the verge of what is known as "industrial sickness".

1.5.1 Definition of industrial sickness

According to Sick Industrial Companies Act, 1985, a unit is defined as sick industrial company where:

(a) a company is registered for not less than seven years
(b) it incurred cash losses for the current and preceding financial year
(c) its net worth was eroded

Even 50% or more of the net worth of the past 5 financial years is eroded because of accumulated losses.

1.5.2 Definition for small-scale sick units

(a) Incurred losses in previous and current year
(b) Due to cumulative losses, 50% or more of its peak net worth during the past 5 years should be eroded
(c) They must have continuously defaulted 4 consecutive installment of interest or 3 half-yearly installment of principal
(d) Large small-scale unit – all 3 criteria should be fulfilled
(e) Small small-scale unit – any 1 of the criteria should be fulfilled

1.5.3 Causes of Industrial Sickness

a. External causes

1) Govt. policy
2) Erratic supply of inputs
3) Demand and credit restraints
4) Technological factors
5) Power cuts

b. Internal causes

1) Outdated technology
2) Financial problem
3) Management problems
4) Labour problems
5) Marketing and sickness

According to Dr. Navaneet Singh, "As per the nature of the sick unit, it can be categorized under three groups viz., **Born Sick**, **Become Sick** and **Made Sick**.

1. Born Sick

Sickness is not always a post-implementation feature. Some industrial projects are born sick from the very inception owing to ill-conceived projects, bad planning and poor appraisal, wrong choice of location and product selection, inadequate market surveys, false fixed investment decisions, poor financial management and one customer – one product, type situation etc. Mostly the units established by the government under social welfare scheme come in this category.

2. Become Sick

Some industrial projects may become sick due to **internal causes**. In such circumstances, sickness starts at last stage of project implementation as a result of **poor management** and **deliberate diversion of funds**. The factors like wrong recruitment and faulty management policies are responsible for this.

3. Made Sick

In this category, sickness is thrust upon them due to **external causes** beyond the control of the management, mostly attributed to environmental factors such as sudden changes in government policies, technological changes, macro – political, social and economic problems. It is a product of malafide inheritor or weak management policy of entrepreneur.

1.5.4 Causes of sickness in small-scale industry

The different types of industrial sickness in Small Scale Industry (SSI) fall under two important categories. (Dr. Navneet Singh, 2011) They are as follows:

a. Internal causes for sickness

Internal causes are those pertaining to the factors which are within the control of management. This sickness arises due to internal disorder in the areas justified as following:

1) Lack of Finance

This including weak equity base, poor utilization of assets, inefficient working capital management, absence of costing & pricing, absence of planning and budgeting and inappropriate utilization or diversion of funds.

2) Inappropriate production policies

Another very important reason for sickness is wrong selection of site which is related to production, inappropriate plant & machinery, poor maintenance of plant & machinery, lack of quality control, lack of standard research & development and so on.

3) Marketing and sickness

This is another aspect which always affects the health of any sector as well as SSI. This includes wrong demand-forecasting, selection of inappropriate product mix, absence of product planning, wrong market research methods, and bad sales promotions.

4) Inappropriate personnel management

This is another internal reason for the sickness of SSIs: inappropriate personnel management policies which include bad wages and salary administration, bad labour relations and lack of behavioural approach causes dissatisfaction among the employees.

5) Ineffective corporate management

Another reason for the sickness of SSIs is ineffective or bad corporate management which includes improper corporate planning, lack of integrity in top management, lack of coordination and control.

b. External causes for sickness

1) Personnel constraint

The first foremost important reason for the sickness of small-scale industries is non-availability of skilled labour or manpower wages disparity in similar industry and general labour invested in the area.

2) Marketing constraints

The second cause for the sickness is related to marketing. The sickness arrives due to liberal licensing policies, restrain of purchase by bulk purchasers, changes in global marketing scenario, excessive tax policies by govt. and market recession.

3) Production constraints

This is another reason for the sickness which comes under external cause of sickness. This arises due to shortage of raw material, shortage of power, fuel and high prices, import-export restrictions.

4) Finance constraints

Another external cause for the sickness of SSIs is lack of finance. This arises due to credit restrains policy, delay in disbursement of loan by govt., unfavorable investments, fear of nationalization.

1.5.5 Consequences of industrial sickness

- Set-back to employment
- Fear of industrial unrest
- Wastage of resources
- Adverse impact on related units
- Adverse effect on investors & entrepreneurs
- Losses to banks and financial institutions
- Loss of revenue to government

1.5.6 Remedial Measures

1. Steps taken by commercial banks

- Policy frame work was framed in 1981
- They were responsible in detection of sickness at the early stage
- Ministry were given more responsibility

2. Policy frame work of the govt.

- Remedial measures & excise loan were provided
- Margin money scheme was introduced
- No. of concessions was given by the govt. They are:

    1. The Industrial Investment Bank of India: Establishment of Reconstruction Corporation of India to provide all kinds of assistance
    2. IRCI converted to IRBI (Industrial Reconstruction Bank Of India)
    3. Board for Industrial & Financial Reconstruction: Rehabilitation package - Operating agencies will design the scheme

To conclude, the sick units may be attempted to be turned around through efficient management, change of top level executive and executing a turnaround strategy.

1.6 Design of the study

It is felt that there is no need for one more academic type of study, strictly observing the norms of social science research. This is a diagnostic type of inquiry, seeking the causative factors – socio-economic, institutional and the dynamics of the market – which are responsible for the crisis situation at present, in the industry, with the purpose of developing pragmatic solutions. In other words, this is not a survey type of study collecting data from large number of representative units for statistical analysis. Here, facts and figures are collected from representative samples through interactive sessions and also from records of business transactions made available.

We found that a good number of research studies and reports on the various aspects of the coir industry in Kerala (See the list of References) have already been carried out by institutions such as the Dept. of Economics and Statistics, the Coir Board, the State Planning Board, Centre for Development Studies, subject experts, Ph.D. scholars, journalists and others. As the saying goes, there is no need for reinventing the wheel.

1.6.1 Review of studies

Hence, the **first step** obviously, was to go through the reports of these studies in detail and collect facts and figures (secondary data) relevant to the present inquiry – a review of existing literature on the subject. This has provided us an overview of the coir sector and its functioning at present.

The next step was to prepare **a list of the major findings of the studies** in respect of the MSMEs in the sector. In fact, the present study began from that point onwards. The major findings were verified and validated in the field through primary data. Relevant findings and the new findings were listed for detailed analysis.

Likewise, **recommendations** given in the previous studies were listed and examined thoroughly in the field for their relevance, validity and feasibility for implementation. And finally, these recommendations/solutions were vetted by the Core Committee on Research (KILE) and also by a few subject experts, representatives of unions and managements.

The primary stakeholders consist of women or men who directly operate micro units, independently or as members of coir cooperative societies and the proprietors of small-scale and large-scale company units. Secondary stakeholders consist of prominent leaders of trade unions in the coir sector, officials of the Coir Board, Coirfed, cooperative societies, Kerala State Coir Corporation, Coir Development Department (GoK), traders and exporters.

The objectives of the study were discussed several times with the President of Federation of Indian Coir Exporters' Association (FICEA) and the union leaders and finalized.

The design of the study which is explained, in detail, below was discussed and approved by the members of the Core Committee on Research of KILE on 19-09-2015.

In order to gain an overview of the working of the large units, the study team under the leadership of Sri. V. Veerakumar, Executive Director, KILE visited Alappuzha on 20.08.2015. There were interactive sessions with the members of FICEA and also representatives of workers on work-related problems of the companies. The team also visited three large company units and one small mat-making unit

Meanwhile, in response to our request, Sri. M.P. Pavithran, President, Kerala State Small Scale Coir Manufactures' Federation, Alappuzha had promptly sent us a detailed write-up on the current status of small scale units, their needs and problems. It was very helpful.

Just to understand the ground realities, a detailed pilot study was undertaken in October. Members of the study team met the Project Officers of Thiruvananthapuram, Kollam and Alappuzha of the Coir Development Department and sought their help. Their responses were very positive and instructed the Coir Inspectors to assist the study team. The Investigators visited a few cooperative and small-scale units in Chirayinkeezhu, Kollam, Karunagappally and Harippad and had interactive sessions with the presidents of the societies and member workers. The team also collected data through observation of the production activities of the units. On the basis of the first-hand information collected from the field, the tools for data collection were developed.

1.6.2 Sub-sectors

The coir sector in the State is heterogenous and consists of several sub-sectors such as:

1. the large factories in Alappuzha-Cherthala belt and elsewhere (popularly known as the organized sector)
2. the coir vyavasaya cooperative societies
3. small-scale units (owned by individuals and some cooperatives)
4. household units

Obviously, sample units were selected from each of these sub-sectors based on two criteria:

(1) consistently successful units which have achieved financial stability and offer regular work for labour
(2) units that are failing or already failed

1.6.3 Tools of data collection

1. Semi-structured interview schedules were used for collection of data from the CVCS and small units
2. Semi-structured interview schedules were used for collecting data from the household units
3. Interview guides used for interacting sessions with the representatives of FICEA and unions of employees
4. Interview guides for discussion with representatives of Coirfed, Coir Board, Coir Development Department, Coir Inspectors and Secretaries of CVCS

1.6.3.1 Observation

Using a semi-structured observation schedule, the work places and the work-process of coir and coir products, the environment etc were taken note of.

1.6.3.2 Records

There were difficulties in getting basic records from the units as well as from supporting institutions. The presumption is that either the units do not maintain records properly or they are suspicious of the investigators. While responding to questions regarding statistics of production, sales bank deposits, debt burden etc, they did not refer the records. They gave facts and figures out of their memory. The Investigators were really in helpless situations. Even the supporting agencies were found to be very reluctant to lend their records for perusal. The team had to be satisfied with their annual reports and copies of some of their recent schemes. However, the investigators had fruitful interactive sessions with some of the senior officials of the Directorate of Coir Development, Project offices, Coirfed and Coir Board office in Alappuzha.

1.7 Feedback

The major findings of the study were recorded and placed at three group meetings of FICEA representatives, the senior leaders of coir workers' unions and officials of the various supporting agencies such as Coirfed, Coir Development Department, Coir Board etc. The analysis and findings were subjected to positive criticism by the group members and many of their view-points incorporated in the final report. Along with criticism, very valuable, pragmatic suggestions for improving coir industry in Kerala were given by the participants. These were accepted and incorporated in the report after examining their feasibility and viability.

1.8 Limitations of the study

During the field work, the investigators experienced difficulty in getting the facts and figures needed for the study according to the prescribed methodology. The large coir factories politely refused access to their business data – especially audited statement of accounts and the changing trends in the international coir market. However, they were cooperative in providing us with information regarding the wage structure and other benefits enjoyed by their work force as well as the operational difficulties they experience due to resistance from labour. The household units are not in the habit of maintaining accounts of their financial transactions. About 266 cooperatives are dysfunctional at present. The rest, except a few are struggling to survive. In the absence of authentic records, we had to accept whatever they orally expressed. On the other hand, the Coir Development Department provided us with all the facts and figures we needed.

Table No. 1.1

Details of the amount spent for the various coir promotion schemes by the Coir Development Department from 2010-11 to 2015 March

Year	Non-plan		Plan		
	Budget Amount (Lakh)	**Expenditure Amount (Lakh)**	**Budget Amount (Lakh)**	**Expenditure Amount (Lakh)**	**Percentage of Utilisation**
2009-10	616.07	582.64	7170.00 (including the GoI's contribution of Rs. 375 lakh	7077.35	98.71
2010-11	702.91	636.41	11131.43	10555.08	95.00
2011-12	973.10	968.70	9005.01	8997.50	99.92
2012-13	4100.80	4061.01	10470.00	10238.39	97.79
2013-14	3587.66	2473.80	11637.00	7140.75	61.36
2014-15	6499.15	6322.06	12193.90	6435.44	52.78
2015-16	4407.71	---	11695.00	---	---

Source: Coir Development Directorate 2015-16

Table No. 1.2

Proforma						
Export of Coir and Coir Products by Coir Public Sector Undertakings/Coirfed (Rs. in Lakh)						
Year	**Kerala State Coir Corporation**		**Foam Mattings (India) Ltd.**		**Coirfed**	
	Value	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**
2019-11	10.55	20000 sq.m	3360617	73607	213.97	4567.55
2011-12	Nil	Nil	2598925	51325	179.05	3259.12
2012-13	112.09	25000 sq.m	4379112	56929	150	3376.89
2013-14	245.4	60000 sq.m	7223854	56140	419.47	6428.96
2014-15	416	115000 sq.m	4999000	42386	336.5	6168.79

Source: Coir Development Directorate - 2015

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Chapter II

Coir Products Manufacturing Companies

2.1 Introduction

Coir industry is perhaps, the most important employment generator among the traditional industries in Kerala. It provided direct and indirect employment for about 5 lakh workers during its glorious years of which 85% were women. In 2013-14, coir and coir products generated about 1,630 crores worthy of foreign exchange.

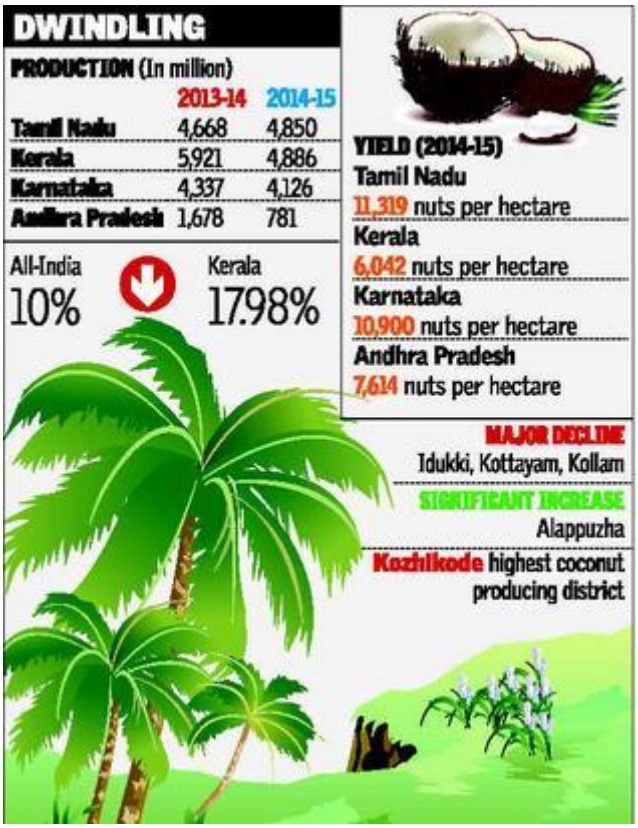
Kerala had a monopoly in coconuts and related industries in the past. The estimated average annual production of coconuts in Kerala comes to 5000 million nuts (2014-15). Only a marginal percentage of the husks is put to industrial use. With the Kerala Land Reforms Act of 1963, the large coconut farms disappeared and the incentive to nurture coconut tree was also lost. At the same time, large coconut plantations started to come up in the other southern states. (FICEA)

The study team visited a few factories and cooperative societies in Alappuzha – Cherthala area on 20.08.2015. In the forenoon, the team visited M/s. William Goodacre & Sons India (P) Ltd., the Travancore Coir Factory and Farm Fiber and held discussion with the managements. The following representatives of the managements participated:

1. Sri. John Chacko, Chairman, Federation of Indian Coir Exporters Association (FICEA) and Member CIRC
2. Sri. Sajan. B. Nair, Secretary General, Federation of Indian Coir Exporters Association (FICEA) and Member CIRC
3. Sri. V.V. Pavithran
4. Sri. V.R. Prasad, Member of CIRC & Managing Director, Travancore Mats and Mattings, Cherthala
5. Sri. Vivek Venugopal, Member of CIRC & Managing Director, M/s. William Goodacre & Sons India (P) Ltd.
6. Sri. Sri. Jos Paul Mathew, Managing Director, PALM FIBRES.

Due to the stiff opposition from local trade unions, when mechanical de-fibering machines were introduced, the companies were not allowed to set up such units in Kerala, but Tamil Nadu rapidly established several units.

With retting and manual extraction becoming more and more difficult and costly, the yarn-spinning industry started to use more and more un-retted Tamil Nadu fiber. Initially, it was a 10% TN fiber mixed with 90% Kerala retted fiber and this equation slowly shifted to 100% TN fiber for most qualities of yarn. The Kerala coir industry now is more or less dependent on Tamil Nadu for fiber. With the gradual disappearance of the retting activity in Kerala due to ecological and social reasons, the scope of fiber production in the State is very minimal.



Source: The Hindu, April 28, 2015

Since Independence, with the disappearance of the European employers, there was a disintegration of large-scale European factories which gave rise to **decentralisation** of the industry in 1960 into small-scale manufacturing sector which in turn, started supplying semi-finished products to the Indian export companies.

The different layers in the coir sector, in general, are:

1. Fiber extraction

The traditional method of extraction of fiber after retting of husk was totally manual. Now, the fiber extraction is mainly a mechanical process done by highly advanced fiber mills, mostly concentrated in Tamil Nadu. The focus of the fiber extraction mills has now shifted to export to China.

Table No. 2.1

Current Status of Fiber Export

Period	Quantity of Export in Tons	Value in Rs. Lakhs
1999-2000	809.88	117.16
2004-2005	1,350.45	186.03
2009-10	73,074.93	9,742.03
2014-15	219,103.00	41,923.34

Source: FICEA

This has lead to change in the extraction process. The staple length is shorter, leading to more shedding and poor quality of the product. There is a need to develop a process of fiber extraction that can give better quality fiber for the spinning and product sector.

2. Spinning

Most of the spinning is done by hand, mostly in the cottage sector, spread along the coast line of Kerala. The co-operative societies and the private sector agents collect this yarn and supply it to the manufacturers and the exporters. With the development of mechanical spinning machines in Tamil Nadu, aggressive efforts are being made by their entrepreneurs to produce and supply mechanically-spun yarn to Kerala. This is a serious threat to the hand-spinning sector from the TN machine-spun yarn. Hence, substantial investment needs to be done in Kerala in the immediate future, to enhance mechanical spinning. If not, the spinning sector will have the same fate as the fiber sector and the hand-spun yarn will not be able to compete with the machine-spun yarn.

3. Weaving

There are large numbers of **small-producers** in Kerala who weave products in the premises of their houses. They generally have 2 to 3 looms in a shed. The products made by them are supplied to the co-operative societies. With the installation of more and more tufting machines, this sector is on its way to extinction. Already, the PVC tufted product is half the price of the hand-made mat. Unless, there is some serious effort is taken to increase the productivity of the looms, the product becomes less and less competitive with every increase in wages.

4. Public sector undertakings (PSU)

The Kerala State Coir Corporation procures semi-finished products from the co-operatives and the small-scale manufacturers and supplies them to the exporters as per their requirements.

The Kerala State Co-operative Coir Marketing Federation (Coirfed) supplies coir fiber to the spinning sector, converts it into yarn and supplies it to the manufacturers. They also market the products domestically through show rooms. Being Govt. companies, the workers in this sector are paid wages based on the DA index from time to time, annual bonus and other benefits stipulated by CIRC.

5. Exporters and the large factories at the apex

This is the most important layer of the industry, which brings in lot of foreign exchange. It has large investments and establishments in factories and provides regular employment to a large workforce. Most of the machine-made and value-added products are being produced in these factories through their continued efforts in product development and R&D. By their traditional contacts, goodwill and aggressive marketing efforts, they are always in the forefront in developing the export industry.

The workers in this sector are paid all legitimate wages and benefits as stipulated by labour law. This amounts to CIRC bonus and other benefits, totaling to more than 60%. They employ daily-paid workers as per the DA, from time to time and piece-rated workers (who

gets between Rs. 500 - 1,000/- per day without fringe benefits) covered by bilateral long-term agreements (generally, for a three-year period).

6. Finishing factories

These units undertake the finishing work of those exporters who do not have their own facilities or supplement their in-house capacity from time to time. The embellishment work of most of the semi-finished goods produced in the cottage and factory sectors like – sheering, stenciling/printing, bleaching, packing and other related work, are done in these factories. The stenciling workers are paid wages as per CIRC and the helpers are paid mutually agreed wages.

2.2 Wage structure in the large industries

Since these are large manufacturing units (popularly known as organized industries), they are guided by labour laws, policies of the government and the agreements/decisions taken at CIRC. By and large, these companies are law-abiding and desire peace and harmony in industrial relations so that they could optimize their production and sales without any hassles.

The Tables and graphics given below provide an overview of the current wage-structure and fringe benefits in the company sector in Kerala.

Table No. 2.2

Wage comparison (based on DA increase) of daily paid workers including benefits - Mar '13 & June '15

Alappuzha Region		
CLI Nov '12	19969	
DA Jan '13(Incl.FDA)	83.432	

Wage calculation	Male	Female
	2.583	2.16
D.A for Re.1	83.43	83.43
Plus basic	1.00	1.00
	84.43	84.43
Devaluation increase 22%	18.58	18.58
	103.01	103.01
Devaluation increase 23%	23.69	23.69
	126.70	126.70
Interim increase 10%	12.67	12.67
Total Wage of Re.1/-	139.37	139.37
Actual Wage	**359.99**	**301.04**

Benefits		
Bonus at 30.04%	108.14	90.43
PF at 11.36%	40.89	34.20
ESI at 4.75%	17.10	14.30
Leave with Wages at 5%	18.00	15.05
Holiday Wages at 4.25%	15.30	12.79
Gratuity at 5%	18.00	15.05
Total	**217.43**	**181.83**
Cost to the company	**577.42**	**482.86**

Alappuzha Region		
CLI April '15	25044	
DA June '15(Incl.FDA)	104.768	

Wage calculation	Male	Female
	2.583	2.160
D.A for Re.1	104.768	104.762
Plus basic	1.000	1.000
	105.768	105.762
Devaluation increase 22%	23.269	23.268
	129.037	129.030
Devaluation increase 23%	29.679	29.677
	158.715	158.706
Interim increase 10%	15.872	15.871
Total Wage of Re.1/-	174.587	174.577
Actual Wage	**450.96**	**377.09**

Benefits		
Bonus at 30.13%	135.87	113.62
PF at 11.36%	51.23	42.84
ESI at 4.75%	21.42	17.91
Leave with Wages at 5%	22.55	18.85
Holiday Wages at 4.25%	19.17	16.03
Gratuity at 5%	22.55	18.85
Total	**272.78**	**228.10**
Cost to the company	**723.74**	**605.19**

Source: FICEA

The Table gives an idea of increase in wages due to the DA element alone since the last wage settlement. Also shown is its impact on the total benefits.

Table No. 2.3

Details of Minimum Wages of Some Other Traditional Industries of Kerala – 1st March 2013 Vs 1st July 15

Industry	Basic	D A	Totals (Rs.)	*Basis for DA Calculation*
Fisheries - base CLI Cochin.				
as on 1st Mar.13	Rs.138	Rs.79.05	217.05	*223 points - 130 points = 93 points x Rs. 0.82 = Rs.79.05*
as on 1st July 15	Rs.138	Rs.118.08	256.08	*274 points - 130 points = points x Rs. 0.82 = Rs.118.08*
Variance Rs.			**39.03**	
Variance %			**17.98**	
Note : In the case of time-rated and monthly-paid employees who have completed not less than 3 years service as on the date of coming into force of this notification, service weightage is allowed at 1 % of the revised wages for each completed year of service subject to the maximum of 15 % .				
Cashew - base CLI Kollam				
as on 1st Mar.13	Rs.180	Rs.58.01	238.01	*24518 points - 14850 points = 9668 points / 5 x Rs.0.03 = Rs.58.01*
as on 1st July 15	Rs.180	Rs.83.36	263.36	*28743 points - 14850 points = 13893 points / 5 x Rs.0.03 = Rs.83.36*
Variance Rs.			**25.35**	
Variance %			**10.65**	
Handloom - base CLI Kannur.				
as on 1st Mar.13	Rs.118	Rs.85.28	203.28	*224 points - 120 points = 104 points x Rs.0.82 = Rs.85.28*
as on 1st July 15	Rs.118	Rs.125.46	243.46	*273 points - 120 points = 153 points x Rs.0.82 = Rs.125.46*
Variance Rs.			**40.18**	
Variance %			**19.77**	

Khadi - base CLI Kannur.				
as on 1st Mar.13	Rs.115	Rs.85.28	200.28	*224 points - 120 points = 104 points x Rs.0.82 = Rs.85.28*
as on 1st July 15	Rs.115	Rs.125.46	240.46	*273 points - 120 points = 153 points x Rs.0.82 = Rs.125.46*
Variance Rs.			**40.18**	
Variance %			**20.06**	
Beedi - base CLI Kannur.				
as on 1st Mar.13	Rs.115	Rs.59.71	174.71	*2253 points - 1400 points x Rs.0.07 = Rs.59.71*
as on 1st July 15	Rs.115	Rs.94.22	209.22	*2746 points - 1400 points x Rs.0.07 = Rs.94.22*
Variance Rs.			**34.51**	
Variance %			**19.75**	
Note :				
1. A minimum production of 900 beedies per day				
2. A minimum of 125 packs per day for labelling.				

Source: FICEA

For ready reference, there is a graphical representation of the quarterly wage comparison on DA increase – Coir Vs Other traditional industries such as cashew, handloom, khadi and beedi for the period March '13 to June '15

Table No. 2.4

Quarterly wage comparison on DA increase- Coir Vs Plantation industries – March 2013 to June 2015

	Mar '13	June '13	Sep. '13	Dec '13	Mar '14	June '14	Sep. '14	Dec '14	Mar '15	June '15
Coir	372.7	375.93	398.49	407.8	414.25	425.35	443.08	444.69	446.3	450.96
Rubber	282.55	286.64	291.39	295.48	302.57	304.65	306.4	312.84	318.88	319.53
Cardamom	227.68	231.77	236.52	240.61	247.7	249.78	251.53	257.97	264.01	264.66
Tea	195.93	200.02	204.77	208.86	215.95	218.03	219.78	226.22	232.26	232.91
Coffee	192.68	196.77	201.52	205.61	212.7	214.78	216.53	222.97	229.01	229.66

Source: FICEA

For ready reference, there is a graphical representation of the quarterly wage comparison of DA increase – Coir Vs Plantation industries for the period March ’13 to June ’15

Diagram No. 2.1

Quarterly Wage Comparison on DA Increase- Coir Vs Plantation industries – March 2013 to June 2015

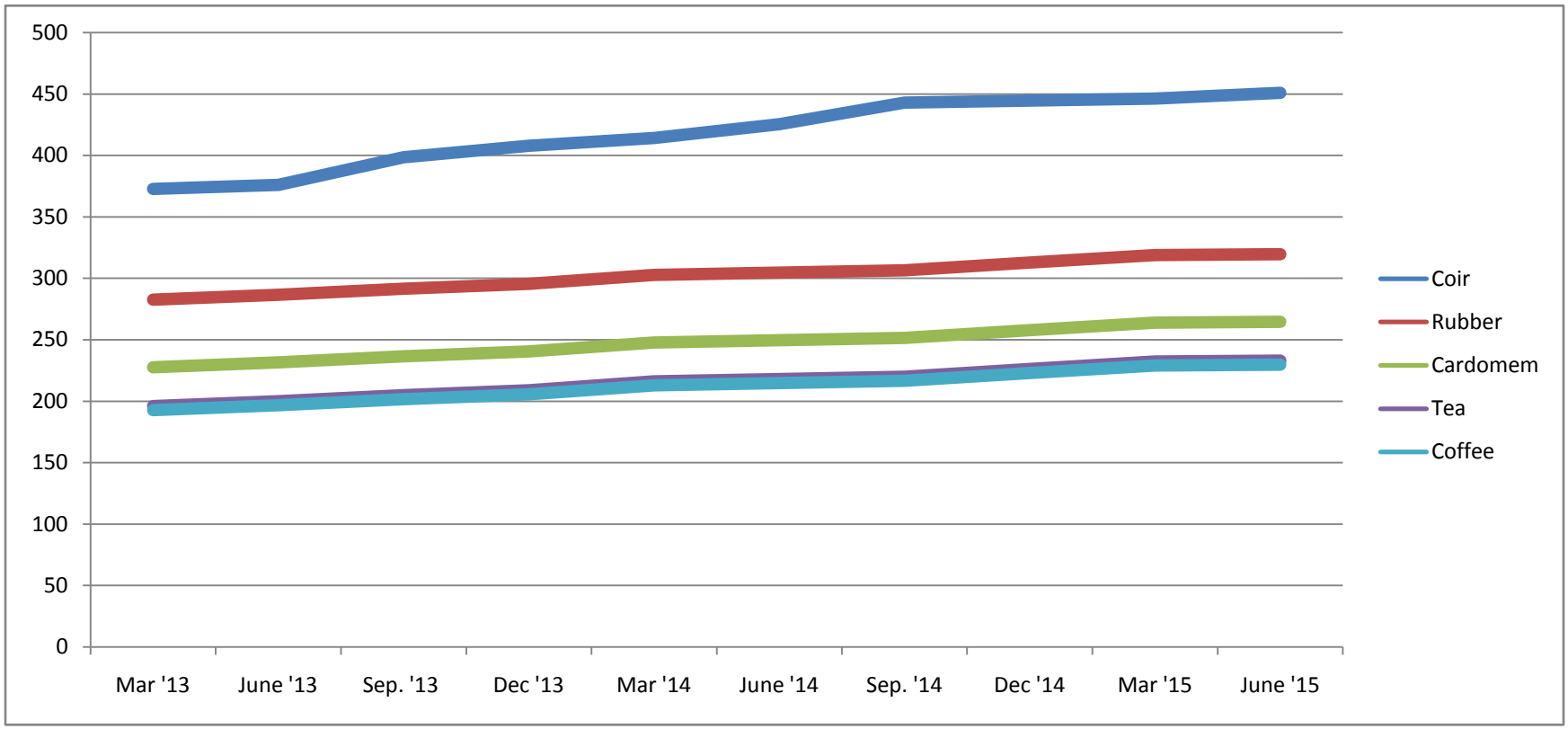


Table No. 2.5

Quarterly Wage Comparison on DA Increase- Coir Vs Other Traditional Industries – March 2013 to June 2015

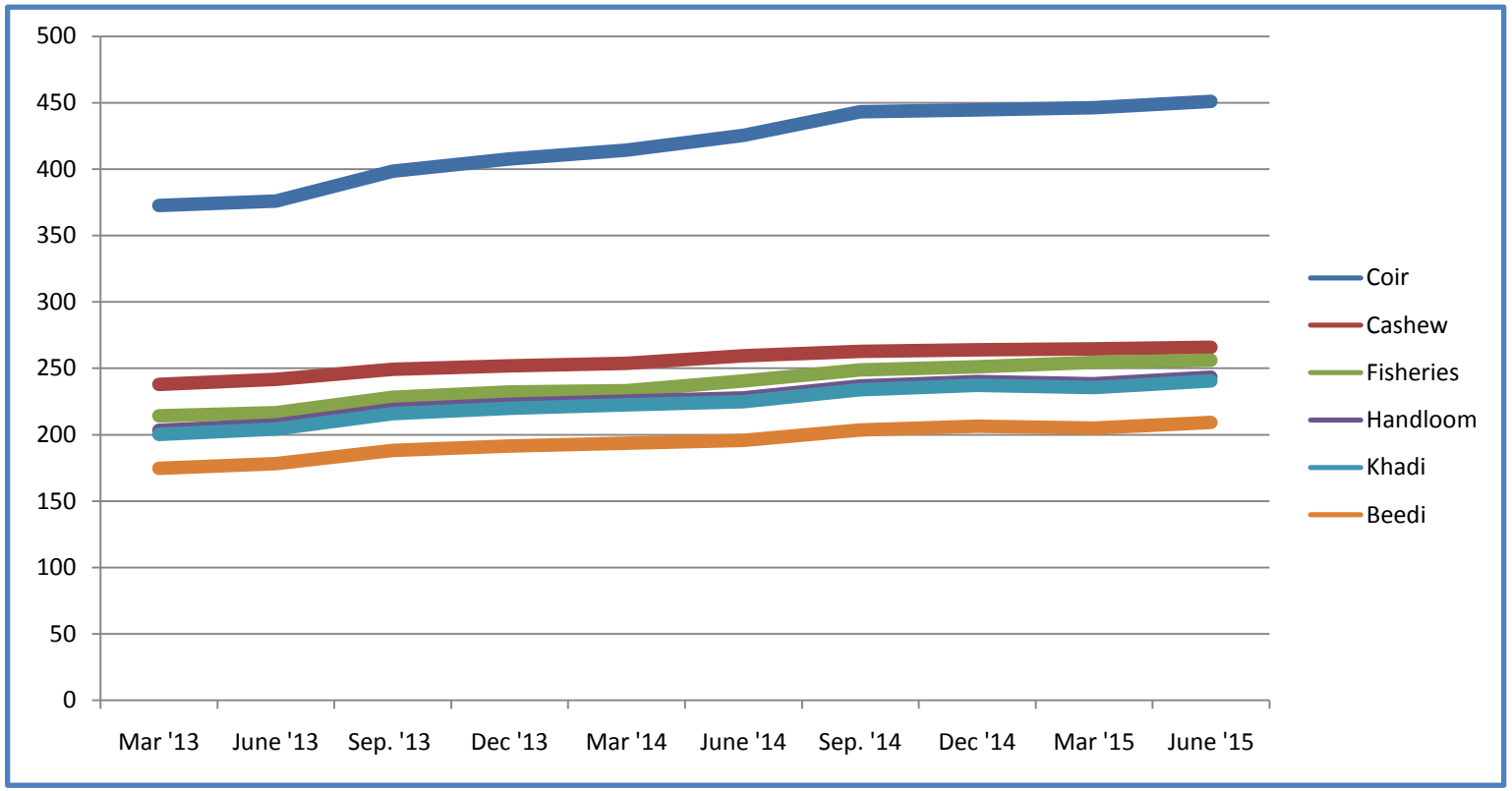
	Mar '13	June '13	Sep. '13	Dec '13	Mar '14	June '14	Sep. '14	Dec '14	Mar '15	June '15
Coir	372.7	375.93	398.49	407.8	414.25	425.35	443.08	444.69	446.3	450.96
Cashew	238.01	241.83	249.42	251.95	253.86	259.53	262.74	263.97	264.65	265.89
Fisheries	214.26	216.72	228.2	232.3	233.12	240.5	248.7	251.16	254.44	256.08
Handloom	203.28	207.38	218.86	222.96	225.42	227.88	236.9	240.18	238.54	243.46
Khadi	200.28	204.38	215.86	219.96	222.42	224.88	233.9	237.18	235.54	240.46
Beedi	174.74	178.26	188.12	191.64	193.75	195.87	203.61	206.43	205.02	209.25

Source: FICEA

The variable component is far ahead in coir when compared to other traditional industries.

Diagram No. 2.2

**Quarterly Wage Comparison on DA Increase-
Coir Vs Other Traditional Industries –
March 2013 to June 2015**



Source: FICEA

Table No. 2.6

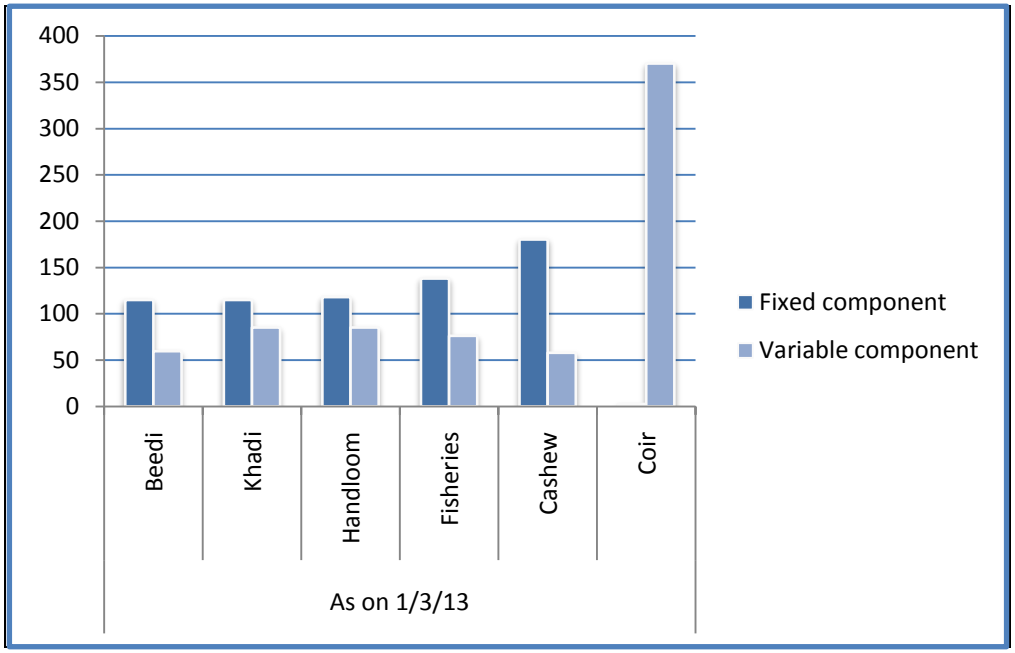
Comparison of Fixed & Variable component in wages –
Coir Vs Other Traditional Industries –
March '13 & June '15

	As on 1/3/13					
	Beedi	**Khadi**	**Handloom**	**Fisheries**	**Cashew**	**Coir**
Fixed component	115	115	118	138	180	2.583
Variable component	59.74	85.28	85.28	76.26	58.01	370.117
	As on 1/6/15					
	Beedi	**Khadi**	**Handloom**	**Fisheries**	**Cashew**	**Coir**
Fixed component	115	115	118	138	180	2.583
Variable component	94.25	125.5	125.46	118.08	85.89	448.377

Source: FICEA

Diagram No. 2.3

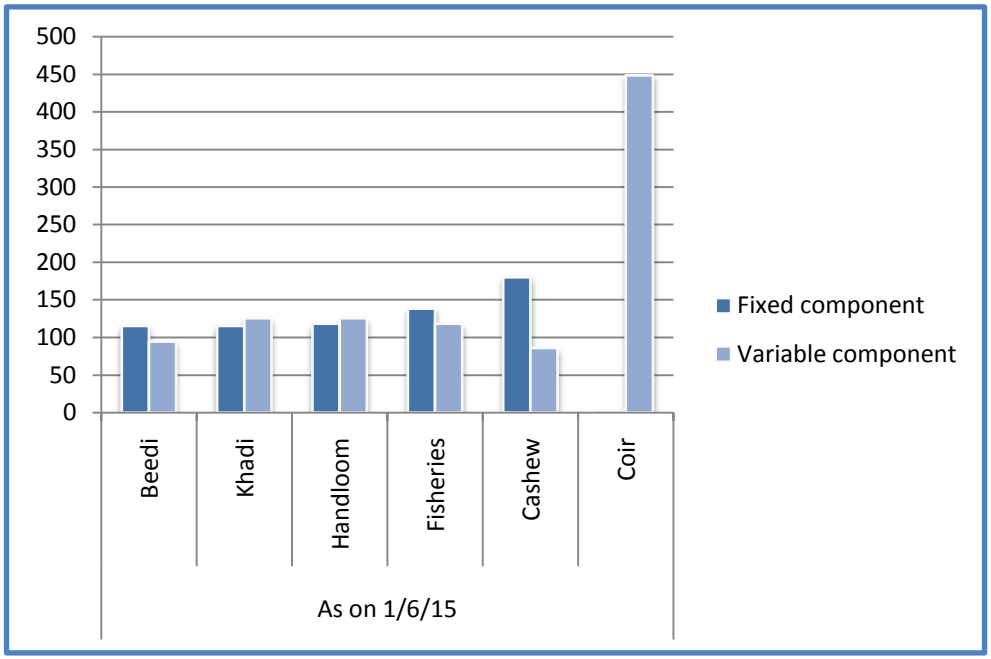
**Comparison of Fixed & Variable Component in Wages –
Coir Vs Other Traditional Industries –
March '13, 2015**



Source: FICEA

Diagram No. 2.4

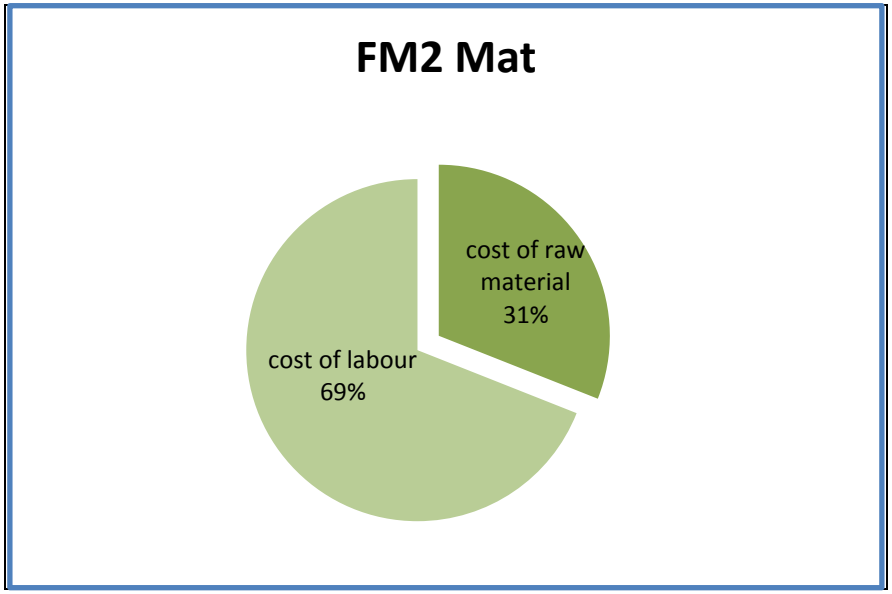
Comparison of Fixed & Variable Component in Wages – Coir Vs Other Traditional Industries – June '15, 2015



Source: FICEA

Diagram No. 2.5

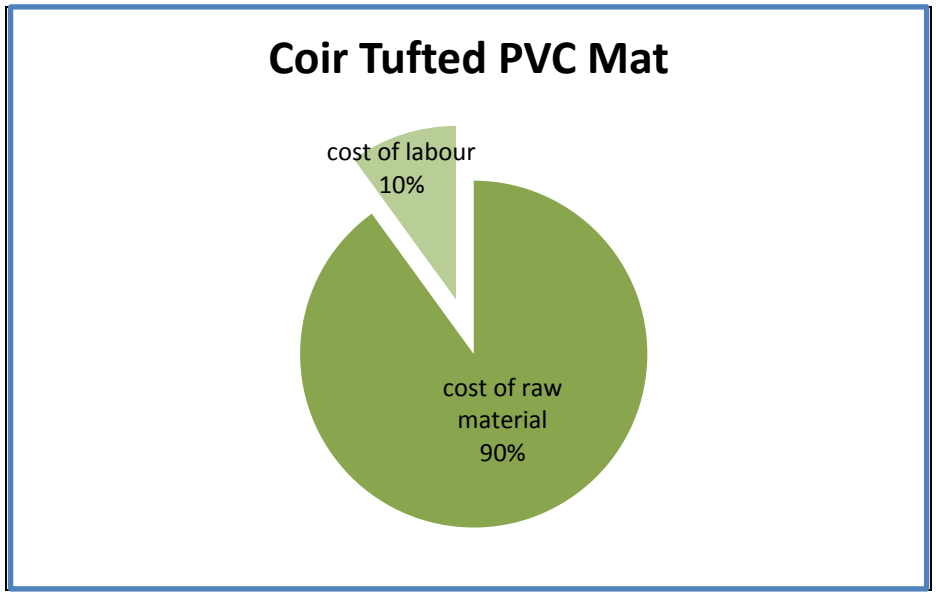
Comparison - Cost of Raw Material & Labour in Handloom



Source: FICEA

Diagram No.2.6

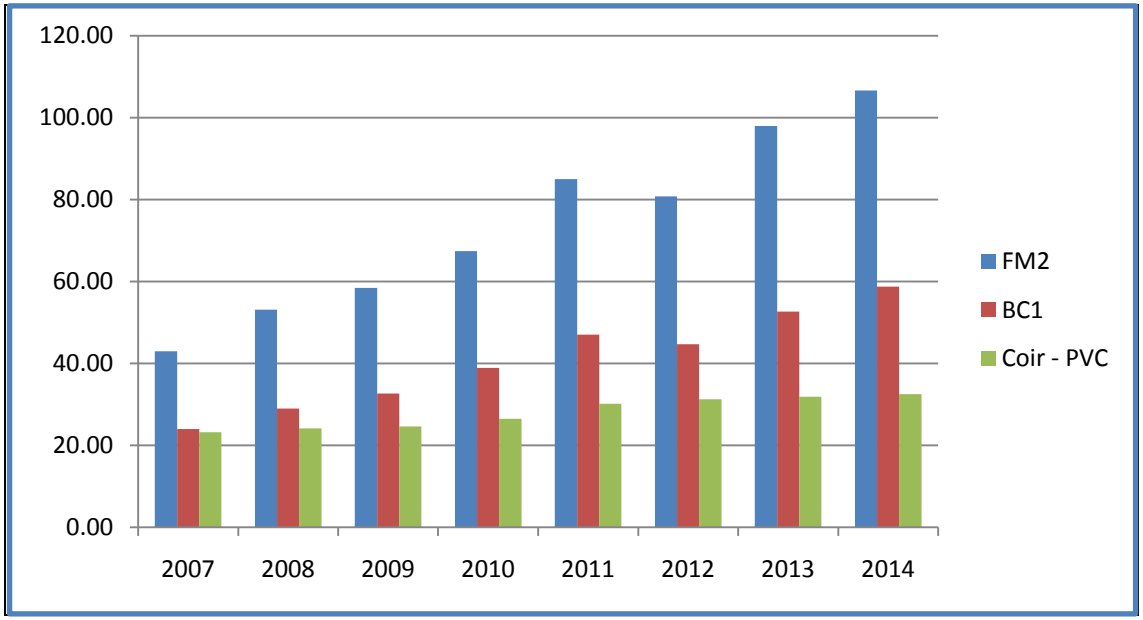
Comparison - Cost of Raw Material & Labour in Machine-Made



Source: FICEA

Diagram No. 2.7

Price Comparison between
Handloom Coir Mats & Coir Tufted PVC Mats (2007 to 2014)



Source: FICEA

Table No. 2.7

Purchase Price Increase of Handloom Mats Vs. Coir Tufted PVC Mats from 2007 to 2014

Quality	Purchase price in Rs. / Sq.ft								% of increase from 2007 to 2014
	2007	2008	2009	2010	2011	2012	2013	2014	
FM2	43.00	53.10	58.41	67.46	85.00	80.75	97.99	106.65	148.02
BC1	23.96	28.99	32.66	38.93	47.00	44.65	52.64	58.75	145.20
Coir - PVC	23.23	24.15	24.62	26.48	30.19	31.23	31.87	32.52	39.99

Source: FICEA

Table No. 2.8

Price Difference / Sq.ft between BC1 Mats Vs. Coir Tufted PVC Mats from 2007 to 2014

Year	BC1	Coir - PVC	% diff.
2007	23.96	23.23	3.14
2008	28.99	24.15	20.04
2009	32.66	24.62	32.66
2010	38.93	26.48	47.02
2011	47.00	30.19	55.68
2012	44.65	31.23	42.97
2013	52.64	31.87	65.17
2014	58.75	32.52	80.66

Source: FICEA

Table No. 2.9

List of Tufters as on 18th Aug. 2015

Period of establishment	In Alappuzha area	Outside Alappuzha area	Number of Tufting heads
Under Pvt. Sector			
Till 2000	9	8	**17**
2000 - 2005	2		**2**
2005 - 2010	4	8	**12**
2010 - 2015	3	10	**13**
Total	18	26	44
			0
Under Co-operative Sector			**0**
Till 2000			**0**
2000 - 2005			**0**
2005 - 2010	1		**1**
2010 - 2015	1		**1**
Total	2	0	2
			0
Proposed			**0**
Till 2000			**0**
2000 - 2005			**0**
2005 - 2010			**0**
2010 - 2015	1	2	**3**
Total	1	2	3
Grand Total	21	28	49

Source: FICEA

Table No. 2.10

Wages - Daily Rated Comparison as on 1st March '13 Vs. 1st July '15

Industry	Basic	D.A	Total
Tea			
as on 1st Mar.13	85.88	110.05	195.93
as on 1st July.15	85.88	149.37	235.25
Variance in Rs.			**39.32**
Variance in %			**20.07**
Rubber			
as on 1st Mar.13	172.5	110.05	282.55
as on 1st July.15	172.5	149.37	321.87
Variance in Rs.			**39.32**
Variance in %			**13.92**
Coffee			
as on 1st Mar.13	82.63	110.05	192.68
as on 1st July.15	82.63	149.37	232.00
Variance in Rs.			**39.32**
Variance in %			**20.41**
Cardamom			
as on 1st Mar.13	117.63	110.05	227.68
as on 1st July.15	117.63	149.37	267.00
Variance in Rs.			**39.32**
Variance in %			**17.27**
Coir			
as on 1st Mar.13	2.583	357.407	359.990
as on 1st July.15	2.583	448.377	450.960
Variance in Rs.			**90.970**
Variance in %			**25.27**

Source: for Plantations - APK

An overview of current status of wages and fringe benefits enjoyed by 6000 and odd workers in the 50 and odd factories in the organized sector are given above. To complement the generalisation given through the Tables, the wage structure of M/s. William Goodacre & Sons India (P) Ltd. is given below:

The permanent workers get Rs. 700 - 770 as daily wage plus 60% welfare benefits as per Labour Laws. Long-term settlements are made once in every three years. The last one was signed in April 2013. Wages differ a little, between units.

New factories are not coming up in the Alappuzha - Cherthala belt. However, they are being set up in the Vaikom, Adoor, Kunnathanam, and Changanassery regions.

2.3 Issues raised by the managements

During the interactive sessions with the top managements of the coir companies, several unresolved issues related to labour and their unions were mentioned, seeking redressal through CIRC with the support of the Hon. Minister for Labour. Some of the major issues are listed below:

1. Irrational way of paying exchange benefit

Since the companies are market-driven, on the basis of the exchange rate of dollars, wage should be enhanced, (as demanded by labour) but once it is enhanced, it cannot be reverted when the situation changes. This irrational way of paying exchange benefit is seriously affecting the economics of their business. Due to frequent increase in the production cost, finding out market for the products is a serious issue. The existence of the factory is only due to other products manufactured such as cotton, jute, rubber, poly propylene and not due to coir products.

2. Shortage of raw materials

Sufficient raw materials are not available in the State. They are mainly brought from Tamil Nadu. Even partly manufactured items are brought and made into final products and exported from here. Part of the benefits goes to TN factories.

3. Variable Dearness Allowance

In the wages of the coir industry, the fixed component is approximately 0.70 % and the variable component is the balance namely, 99.30%.

Wages in the small-scale sector is re-fixed once in every 2 or 3 years, based on the DA prevalent at that point of time. Whereas the wages in the factory sector, the DA is updated on a monthly basis. But, whenever the wages in the small-scale sector is increased in accordance with the DA, the unions force the organized sector factories also to increase the wages accordingly. This compulsion is very unscientific. Even those factories having their own long-term settlements (LTS) are not spared from this common approach.

4. Resistance to productivity

There is productivity-resistance from workers. Though major factories are mechanised, they are not getting the benefit of it. "We cannot increase the production. None of the management will retrench the workers due to mechanisation. Even if mechanisation is introduced, workers are not inclined to increase their unit production. Though they can enhance the take-away amount and the company also gets benefit due to it, they are not inclined to enhance their production. So, unless the productivity is enhanced, there is no chance of further enhancement of wages. Periodical unscientific enhancement of wages will affect the company's existence."

5. Inter -union rivalry

This is a perennial problem in the organized coir industry, creating functional difficulties at the shop floor. Day-to-day work-related problems could not be resolved because of lack of unity among the unions. What the leaders agree individually in private discussion, they disagree when they come together for collective negotiation. Because of this, problems remain unresolved.

6. Strikes and unfair practices of unions

Frequent strikes are another reason for the situation. They have to face the consequences on the failure of other factories or units to comply with the statutory or other terms and conditions already agreed upon. Eg. If any problem in a stencilling unit or of a unit of another factory, the unions will resort to strike in the industry in toto, just to press their demands. Even the legally abiding factories/units are also not spared from their action. These situations compel other managements also to compromise on their production. It makes the situation further worse. In 2002-2003 there was a long strike of one month. However, for the past five years, strike has come down in the industry.

7. Industry-wide issues

All exporters may not be paying the wages agreed at meetings. But, instead of treating such units differently, the unions adopt an inimical attitude towards all the companies irrespective of their involvement/non-involvement in the issue. They even go on strike thereby, paralyzing all the companies.

In addition to these issues, the managements have given us a **write-up** highlighting some more **constraints** experienced by them in managing their business:

"At the outset, we thank you for your sincere interest for the well-being and revival of our coir industry and dedicating your valuable time to study and resolve the issues being faced by us in Kerala. This is a refreshing change and gives us immense hope. We greatly appreciate you for seeking our inputs with respect to the scope of the study initiated by KILE. Our trade associations, represented by FICEA, have met KILE officials at least twice and have also given detailed inputs on the issues being faced by coir industry and subjects to be studied. We have given detailed written note supported by data and graphs. A few additional points were also added by FICEA and are being sent separately for your consideration.

What we have here is a joint representation from the Coir IRC members representing the Coir Export community in Kerala. Between the four of us, we have a combined experience of more than 135 years in this industry. Based on our experience, we would like to put in perspective, the path taken by coir

industry in Kerala over the years, the current challenges and possible outcomes for the industry in Kerala. We would like to focus on three main themes – **productivity**, **high wages** and **highly politicized/unionized environment**:

1. From the 50's up to the 90's, there was widespread opposition to mechanization
2. The de-fibering industry which was extremely labour intensive and polluting was the first sector that got mechanized in a large way. But that mechanization happened in neighboring Tamil Nadu – not in Kerala because the trade unions and even the governments in Kerala opposed it
3. With that move and the spread of commercial, large-scale farming of coconut trees in Tamil Nadu, the entire Coir fiber production started shifting to TN. They have the coconuts in abundance, relatively cheap labour and far more efficient methods of production
4. The investors in Tamil Nadu who were running these fiber extraction mills, continuously invested time and resources in improving the efficiency of the whole fiber extraction process. Developing new and more efficient machines, connecting various stages of fiber extraction using conveyor systems, using customized low-cost tractors for handling of husks, spreading of fiber for drying, etc... Just in the past 10 years, they have improved labour productivity by a factor of at least 5. That means, they are at least 5 times more productive today in converting husk to fiber than 10 years back. And this process of continuous improvement is never ending in Tamil Nadu and the investors who invest in those machines and production systems reap the benefits due to increase in productivity and resultant lower incidence of labor cost, better economies of scale, etc.
5. This is something that could never happen in Kerala. Here, if we bring in a machine to one of our organized factories, the unions will first run the machine at half or lower of its rated output. Then they will fix a basic piece rate for that job. From then on, that piece rate is not going down – it will only go up based on periodic negotiations, strikes, increases announced by Minister, etc. And most importantly, since the wages have an almost 99.24% variable DA component, it shoots up with increasing DA. Even if you bring in a machine that is twice as efficient, the unions will never agree to touch that basic piece rate. So the investor who is investing in that new machine will end up paying

double the wages (total) but the same unit rate with no productivity gain. This is the reason why all mechanized forms of production are leaving Kerala in general and Ambalappuzha-Cherthala taluks in particular. No investor would ever want to invest in mechanized forms of production in this area.

6. What was explained above with respect to coir fiber extraction is now coming true for coir yarn spinning as well. Kerala is still predominantly doing hand-spinning. The output about 10 kgs/person/day – hasn't changed in decades. Whereas, in Tamil Nadu, they have gone through at least 4 to 5 generations of automated spinning machines wherein the output currently stands at about 60 kgs/person/day. And it is increasing every year.
7. The single largest item of export among coir products today is PVC backed coir mat. Five years back, 100% of yarn required for the PVC backing lines in Kerala was produced in Kerala itself. In fact, even the few PVC backing lines in Tamil Nadu were taking yarn from Kerala.

   Mechanized yarn production started catching up in Tamil Nadu over the past few years in a very large-scale and they started to cater to needs of PVC backing lines in Kerala and Tamil Nadu. Today all of the PVC backing lines in Tamil Nadu and at least 50% of the units in Kerala are using yarn from Tamil Nadu – all machine-spun. The way it is going, it will become 100% in Kerala in just a couple of years.
8. The government of Kerala is subsidizing the yarn-spinning by paying almost Rs 150 per day/worker in the coir yarn-spinning sector. Even after that, they are not able to compete with the machine-spun yarn from Tamil Nadu both in quality and productivity/cost. The answer to this problem **can be even more subsidy to support a lost cause or adopting modern and efficient methods of production that ensure good quality of yarn to the industry and decent living wages to workers**. The longer we wait to make the decision, harder it is going to be to revive the industry and larger, the amount of money we will be spending on such subsidies
9. The common thread is that the industry stayed in Kerala as long as the manual forms of production, which required traditional skills, was essential. Even though productivity was low, there was no option but to use those skill-sets available only in Kerala in general and Ambalappuzha-Cherthala taluks in particular. Then came mechanized forms of production (by way of mechanized fiber extraction and

mechanized spinning) and the local industry – mainly the unions – opposed it vehemently (like destroying fiber extraction machines in the 70's) or took positions that killed any productivity gains (by refusing to adjust piece rates according to productivity gains). And specialized/traditional skills are not needed to run these machines. They could work anywhere with unskilled labour. Naturally, the industry moved to other states where such mechanization was welcomed and the fruits of productivity gains could be shared fairly between the investors and the workers.

10. In the coir industry, we have 3 main sectors: (1) coir fiber extraction, (2) coir yarn spinning and (3) coir mats/matting production. The fate of the first and the second sectors is explained above. The fate of the third sector namely, mats/mattings is exactly the same as the first two sectors. Traditional handlooms that produced these mats and mattings have the same productivity figures for decades. There were some efforts by some investors to bring in power-looms. The same attitude of unions in curtailing productivity gains and lack of encouragement by government for modernization, severely limited the spread of such efforts. Over the past 25 years, PVC backing lines that are 100+ times more productive (output per person/day) than traditional handlooms have almost taken over the market. And these machines initially got installed in the Ambalappuzha-Cherthala region in the 1990's as the raw material (Hand-spun coir yarn) was available only in this area. Today, wages in these factories are about Rs. 810/day or higher (cost to company basis) whereas wages in neighboring Tamil Nadu is barely Rs. 368.21 (again, cost to company basis) for exactly the same job. And coir yarn available in Tamil Nadu is cheaper and of better quality than what is available in Kerala. With such a drastic difference in wages, there is no way that this industry can survive here for long-term in the current form. Already, newer units have started to function outside of Ambalappuzha-Cherthala taluk and in other parts of Kerala closer to Tamil Nadu and several units in Tamil Nadu. Detailed list of units are available in our earlier notes.
11. To all these adverse factors, add the complexity of working in an environment that is every bit politicized/unionized. Especially true for the units working in Ambalappuzha-Cherthala taluks. Frequent strikes in different sectors – each and every one of them are bringing the industry to a halt. Delayed shipments result in huge penalties or cancellation of orders. The unions always target the few remaining

medium/large scale organized factories in Ambalappuzha-Cherthala taluks that pay all the agreed wages and statutory benefits. There is a constant demand for higher and higher wages in these units with absolutely no inclination to even discuss about increase in productivity. Constant, never-ending cycle of negotiations leave the investors with little time to concentrate on real business issues related to finance, marketing, sales, product development, etc. It is evident now that new and modern methods of production are needed in coir industry. That calls for organized, vertically integrated factories and such factories are literally assaulted on a daily basis by the whole union/political system prevailing here in this region. This is one more reason why new methods of production are never going to catch up in Kerala in general and in Ambalappuzha-Cherthala taluks in particular. And sorry to say that the attitude of government that come to power from time to time have also not been supportive of sustaining the industry in this region. The fundamental issues are never addressed by the changing governments.

This is where we are today. The remaining units in Kerala – especially in Ambalappuzha-Cherthala taluks – are finding it difficult to compete with more efficient units working in Tamil Nadu and even in other parts of Kerala. It is only a matter of time – a few years – before the coir industry in Kerala, especially in Ambalappuzha-Cherthala taluk will find it difficult to survive and will be forced to close one by one. Two out of the three sectors have almost gone already. If we have to sustain this industry here, we have to make some fundamental changes:

1. Wages

The wages prevalent in the Coir industry in Kerala, especially in Ambalappuzha-Cherthala taluks, is extremely high compared to the wages prevalent in Tamil Nadu for comparable jobs. We understand that wages cannot be reduced. But the unprecedented increase in the wages over time which is due to almost 100% (99.24% now) link to Variable DA has to be corrected.

Part of the current variable DA component has to be merged with basic wages. Any future increase should only be in the basic (fixed) component. All common wage revisions should be carefully studied, discussed, approved and implemented by CIRC across Kerala.

2. Productivity

We have lost decades worth of productivity improvement mainly because the unionized system prevalent in the industry that was adamant for large increase in wages with absolutely no gain in productivity. This has to change. We need to have a system where decent living wages are ensured to the workers and such wages are updated from time to time based primarily on improvement in productivity.

3. Modernization

To have such improvement in productivity, the industry has to invest in new machines and methods of production. It can be very capital intensive. The coir industry in Kerala is already in a weak state competing with stronger emerging competitors in neighboring states. Industry needs help from the government in this modernization effort by way of grants/subsidies. That way, the workers can earn more, the exporters can be more competitive and the industry as a whole will be sustainable.

4. Industrial Peace

The constant cycle of strikes, work stoppages in various sectors (in handloom sector, finishing sector, organized factories, stencil plate makers) cannot continue like this as that has already given the coir industry in Kerala a bad name as being unreliable as compared to units working in Tamil Nadu. We need to have long-term agreements in place that are fairly negotiated and settled from time to time and there should be industrial peace in-between, letting business owners concentrate on critical business matters. This is what we think is needed. We hope that you will consider this overall perspective while formulating the final terms of reference for this important KILE study. We thank you for your time and attention so far."

2.4 Shifting of units to Tamil Nadu

Many of the major companies of Kerala have already established factories in Thuthukudi, Pollachi, Thirupur and other parts of Tamil Nadu. Part of the manufacturing process are carried out in these units and brought to the State for the final conversion and export.

Eg. Aspinwall & Co.
Alleppey Coir Co.,
NC John & Co.
Floor Décor
Travancore Coir Company
Farm Fiber etc.

All the works are not now carried out in TN. Tufting has been started. Mechanised spinning is fully established. Export of items has only commenced. But major chunk of exports are done from the State. However, the frequent strikes in the Cochin Port will compel the managements to shifting the export to Thuthukudi.

2.4.1 Shifting of units to Tamil Nadu - reasons

The major reasons listed by the managements for the shifting of the units to TN are:

- Cost of inputs in TN is less
- Comparatively low wages
- Uninterrupted production
- No restrictions from trade unions
- Better quality of products
- Disciplined work force
- Machine mode of production
- Gain in the benefits of mechanization
- Uninterrupted power supply (improved recently)
- No strikes and sudden stoppages of work. (No man-days lost due to strike for the past 11 years in a unit started 11 years ago)

Since the major factories have commenced their units in Tamil Nadu , if the present issues in the industry in Kerala are not considered and resolved,

the possibility of shifting of their whole business to the units in Tamil Nadu in the near future cannot be discarded.

2.5 Conclusion

The problem of managing labour especially in the large factories in Alappuzha, Ambalappuzha and Cherthala has been highlighted with clarity and concern. Senior leaders of the unions are requested to take the initiative and objectively examine the facts and figures given in the write-up of the companies whether the grievances of the managements are genuine and factually true from the business point of view, especially in the context of strong competition posed by the coir factories in Tamil Nadu and the frequent price fluctuations in the international market.

Full exploitation of the current installed capacity of **each factory** has to be assessed and the percentage of utilization could be easily worked out by a small team consisting of representatives of senior union leaders, workers, FICEA, Dept. of Labour (CIRC) and subject experts from the State Productivity Council at Kalamassery. The team could also assess the current productivity status of labour and the overall cost of production per unit of each product. **Wages and perks have to be linked to their performance in terms of standard outputs**. It is desirable that negotiation for wage settlements based on unscientific collective bargaining once in 3 – 5 years as a practice has to give way to scientific facts and figures and business economics. Integration of the interests of the management and that of labour through direct negotiations sans strikes and lockouts should be the guiding principle in industrial relations.

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Chapter III

Coir Co-operative Societies

3.1 The context

Co-operativisation in coir sector was an important step to contribute to the healthy growth of the industry. A widely held notion about co-operatives is that it could provide optimum employment to the unemployed people in the coastal areas and help improve their living conditions. Here, an attempt is made to verify this claim.

The withdrawal of foreign capitalists from the coir sector and the inflow of local industrialists and middlemen into the arena created immense problems in the sector. Middlemen and the local capitalists knocked off all profits from the industry. Workers and small producers who depend entirely on the coir sector had neither the capital nor any organisation to resist the onslaught of the local capitalists and middlemen and hence, were subjected to all kinds of exploitation. This state of affairs drew the attention of the Central and the state Governments.

Consequently, the Government of India [1945] appointed a Committee under the Chairmanship of KC. Karunakaran and the Government of Travancore [1949] constituted another Committee under the Chairmanship of Smith to study the issues related to the coir industry. These Committees recommended the re-organisation of the industry on co-operative basis and accordingly, a scheme was launched by the erstwhile Government of Travancore in 1950. (V.S. Jose, 2002)

The scheme was intended to assist the formation of viable coir co-operative societies, and for the revitalisation of the dormant ones. About 76 per cent of the total coir societies in India are located in Kerala, followed by Tamil Nadu, Andhra Pradesh and Karnataka. Ninety-three per cent of the members of the coir societies and 74 per cent of the work-force belong to Kerala.

Table No. 3.1

Coir Co-operative Societies in Kerala

Sl. No.	Type of Society		No. of Societies as on 31-03-2014	No. of Societies as on 31-03-2015
1		**Primary Co-operative Societies (Yarn Sector)**		
	a)	Working	391	420
		i. Profit	109	109
		ii. Loss	282	311
		iii. Total (1a)	**391**	**420**
	b)	New societies which have not started working	142	120
	c)	Dormant Societies	85	74
		Total (1)	**618**	**614**
2		**Manufacturing Societies (Mats & Mattings)**		
	a)	Working (started production)	31	31
		i. Profit	15	12
		ii. Loss	16	19
		iii. Total (2a)	**31**	**31**
	b)	New Societies which have not started working	4	3
	c)	Dormant Societies	17	18
		Total (2)	**52**	**52**
3		**Small-scale Producers Co-operative Societies**		
	a)	Working	54	49
		i. Profit	26	37
		ii. Loss	28	12
		iii. Total (3a)	**54**	**49**
	b)	New Societies which have not started working	4	5
	c)	Dormant Societies	5	9
		Total (3)	**63**	**63**
4		**Husk Procurement and Distribution Societies**		
	a)	Working	1	1
		i. Profit		
		ii. Loss	1	1
		iii. Total (4a)	**1**	**1**
	b)	New Societies which have not started working		
	c)	Dormant Societies		
		Total (4)		

Continued on next page

5		**Fiber Societies (DF Mill Socities)**		
	a)	Working	21	22
		i. Profit	4	6
		ii. Loss	17	16
		iii. Total (5a)	**21**	**22**
	b)	New Societies which have not started working	21	20
	c)	Dormant Societies	29	26
		Total (5)	**71**	**68**
6		**Samyojitha Society**		
	a)	Working	5	13
		i. Profit		
		ii. Loss	5	13
		iii. Total (6a)	**5**	**13**
	b)	New Societies which have not started working	55	43
	c)	Dormant Societies		
		Total (6)	**60**	**64**
7		**Cooperative Coir Marketing Federartion**		
8		**ICDP Societies**		
	a)	Working	56	56
		i. Profit	13	13
		ii. Loss	43	43
		iii. Total (8a)	**56**	**56**
	b)	New Societies which have not started working	4	4
	c)	Dormant Societies	3	3
		Total (8)	**63**	**63**
9		**Total No. of Co-operative Societies**		
	a)	Working	503	536
		i. Profit	154	164
		ii. Loss	349	372
		iii. Total (9a)	503	536
	b)	New Societies which have not started working	226	191
	c)	Dormant Societies	136	137
	d)	Societies under liquidation	105	129
		Total (9)	**970**	**993**

Source: Coir Development Directorate, GoK

Table No. 3.2

Proforma									
Activities of Coir Co-operative Societies									
a. Yarn sector									
			Husk Purchased		Fiber Purchased		Yarn Produced		
Year	No. of working societies	No. of workers	Number (in lakh)	Value (lakh)	Qty (Tonnes)	Value (lakh)	Qty (Tonnes)	Value (lakh)	Wages paid (in lakh)
2009-10	314	145904	100.33	61.02	7683.58	626.49	7298.66	1417.31	619.14
2010-11	378	165341	69.22	3620.14	10354.09	1356.43	44834.56	4038.47	1287.22
2011-12	378	155832	84.12	127.24	11109.8	1679.84	7922.29	3177.19	1461.01
2012-13	369	155401	77.89	81.69	13828.43	1862.47	10795.06	2888.27	1828.97
2013-14	391	162714	78.34	81.09	14290.17	2643.59	43888.89	4563.28	1308.69
2014-15	420	181134	83.21	101.22	20634.89	2906.14	9071.78	5593.07	2733.27

Source: Directorate of Coir Development - 2015

3.2 Objectives of co-operativisation

The scheme is aimed at:

1. solving the problems of the actual workers and small producers engaged in the industry
2. ensuring them regular work and a living wage
3. stabilising the industry on a sound and stable footing by cutting out middlemen and to stop all corrupt practices; and
4. establishing improved standards and quality so as to attract and ensure a better market for coir products.

The scheme included various assistance such as:

1. Share capital assistance for formation of new societies and revitalisation of dormant ones
2. Managerial subsidy
3. Assistance for purchase /modernisation/ renovation of equipment/looms etc.
4. Marketing assistance for opening of sales outlets for sale of coir products by apex coir co-operatives.

3.3 Types of societies

1. Thondu Vyavasaya Society

The basic objective of this type of society is to collect green husk from coconut producers and copra producers. The society supplies the husk to the primary yarn producing society at a reasonable price. In other words, it is a feeder society to the production society.

2. Fiber Society

The objective of this type of society is to supply fiber to Coir Vyavasaya Co-operative Societies (CVCS). They purchase green husk or dry husk and extract brown fiber with the help of husk-beating machines. They

supply fiber so extracted to coir vyavasaya societies. Members of these societies are coir workers.

3. Coir Vyavasaya Co-operative society (CVCS)

The basic function of this type of society is production of coir yarn. The activity is carried on either at the society's premises or at the residence of members. The members have to return the yarn to the society which markets it through Coirfed. Membership of this society is open to all engaged in the production of yarn or fiber in the area of operation of the society. Sympathizers are also given membership to the extent of 7 per cent of total membership of these societies. Management of the business is vested in a seven member board, of whom five are elected from among the coir workers of the society.

The Primary Coir Vyavasaya Co-operatives act as an important link in the chain of marketing of coir fiber and yarn. The business operations of primary societies comprise of purchase of raw husk, retted husk and fiber for processing and sale to central marketing societies. Manufacturing activities are carried out either in the yard of societies or at the residence of members. The manufactured yarn is kept in godowns of societies before selling them to Coirfed. Every primary society is required to sell its produce to the Coirfed at a price prescribed by the apex body.

4. Mats and Mattings Societies

These societies produce mats, mattings, rugs and carpets needed for households, institutions and business firms. They buy coir yarn from coir vyavasaya societies and small-scale yarn producing firms. The coir vyavasaya societies thus act as feeder firms to Mats and Matting Societies. These are concentrated in Alappuzha District.

5. Small-Scale Producers' Societies

These are engaged in the production of coir products out of yarn. The aim of these societies is to find market for the products of its members and to secure reasonable price. About ten thousand societies are now functioning in Kerala.

3.4 Coirfed

It is the single marketing agency with state-wide jurisdiction over primary coir societies. Coirfed either sells yarn to manufacturing units or use it to make coir products either in its own units or through its accredited small-scale manufacturers.

3.4.1 Objectives of the federation

- To ensure them regular work and a decent wage
- To stabilise the industry on a sound and stable footing by eliminating middlemen and to stop all corrupt practices,
- To establish improved standards and quality so as to attract and ensure a better market for coir products.
- The Scheme of Coir Development was so designed to bring all persons engaged in coir industry into the co-operative fold by forming three categories of societies, Viz.,
- The Thondu Vyavasaya Co-operative societies for collection and supply of green husk.
- The Coir Vyavasaya Co-operative societies for actual production of yarn.
- The Coir Marketing Societies to market the yarn produced by member societies in favourable markets.

3.4.2 Activities

- To arrange for the purchase and sale of coir fiber, yarn and other coir products belonging to the affiliated societies to the best advantage within the Indian Union and outside
- To rent, purchase or own administrative offices, godowns, sales depots, sub offices and branch offices within the jurisdiction of the federation.
- Purchase and distribution of raw materials, establish plant and machinery and research centers.
- Running warehouses inside and outside the country.
- Undertaking retting of husk, production of fiber, coir yarn and coir goods. Raising funds required for the business by way of loans, grants and other

contribution from Government, Reserve Bank of India and other financial institutions. Extend loans to member societies and conduct credit sales to Government Agencies and co-operative institutions. Undertake inter-state trade and export coir and coir products.

- Render services like undertaking grading, packing, standardisation, supply of market news, technical advice, guidance, arranging transport, shipping, clearing and forwarding of goods.
- Act as agent on behalf of Government or any other institution for the procurement, supply, distribution and production of husk, coir and coir products.
- Supervise, develop, assist and co-ordinate the activities of affiliated societies.
- Act as an exponent of co-operative opinion in matters relating to coir and coir products.
- Arrange for the holding of periodical conferences and seminars on coir industry, publishing of periodicals and booklets for the stabilisation and development of coir industry.
- Function as the agent of the State Government and or Central Government or any other agency authorised by the Central or State Government in implementing the programmes for the development of the coir industry.

It undertakes the responsibility of procurement and storage of the entire products of the primary societies. It has four regional offices at Kozhikode, Kochi, Kollam and Alappuzha, through which the procurement is made and arranges their sales through its own showrooms and agency showrooms in different parts of the country. The purchase price for coir produce of each society is fixed on the basis of cost and quality plus 10 per cent margin.

3.5 Visit to the societies

The study team selected four circles as representative regions from Alappuzha, Karunagapally, Kundara, and Chirayinkeezhu. Facts and figures were collected through semi-structured interviews, observation of the working of the units, examining the documents made available and interactive sessions with the officials involved in the promotion of the sector.

3.6 The ground realities

Table No. 3.3

Details of Coir Projects in Kerala and Kollam circle

Sl. No.	Name of the Project	Project office under Kollam Circle	No. of Operating Societies
1.	Chirayinkeezhu	1.Karunagapally	14
2.	Kollam	2.Chavara	9
3.	Kayamkulam	3.Adoor	9
4.	Alappuzha	4.Panmana	5
5.	Vaikom	5.Perinadu	11
6.	North Paravoor	6.Kollam	15
7.	Thrissur	7.Kundara	14
8.	Ponnani	8.Adoor	5
9.	Kozhikode		
10.	Kannur		
		Total	82

Source: Directorate of Coir Development

Under Kollam project office, there are 8 circles with 82 CVCS. Karunagapally and Kundara are two circles selected as samples. These two circles consist of 14 CVCS each.

Kollam Project

Table No. 3.4

Functional Classification –

Category-wise 2014-15 Kollam Circle

Sl. No	Type of Society	Operating	Non - operating	Not Yet Commenced Production	Under Liquidation	Total
1	Coir co-operatives	82	22	22	28	154
2	Mats and Mattings	-	1	1	-	2
3	Mechanised defibering units	-	2	-	-	2
4	Others(apex)	-	-	-	1	1
	TOTAL	**82**	**25**	**23**	**29**	**159**

Source: Project Office, Kollam

Table No. 3.4 provides a detailed account of the functional status of CVCS circle-wise under Kollam project office. As per the Table, out of the 159 units, the number of functional ones is only 82 (51.6 per cent). Seventy-seven are dysfunctional.

Table No. 3.5

Operational Summary of CVCS, Kollam Project

Sl. No.	Particulars	No. of Units
1	No. of circles	8
2	No. of coir producing co-operatives	82
3	Total number of members	45488
4	Number of sympathisers	43023
5	Number of workers engaged in production	1404
6	Average number of working days	123
7	Total amount of wages paid	1.902 cr
8	Total amount of bonus paid	26.61 lakh
9	Staff salary paid	65.33 lakh
10	Direct benefit transfer as incentive	1.40 cr
11	Quantity of fiber used (1.96 qtl)	2.312 cr
12	Quantity of coir produced (8182 qtl)	3.96 cr
13	Average percentage of out-turn	80
14	Cost of production of coir per qtl	Rs.4893
15	Loss per quintal (4893-4600)	Rs.293
16	Quantity and value of coir sold (18144qtl)	Rs.3.88 cr

Source: Project Office, Kollam

Table No. 3.5 is self-explanatory as it is a summarized statement of the performance of the coir co-operatives under Kollam Project for the year 2014-15.

Table No. 3.6

Statement of Output, Kollam Project (2004-05 to 2014-15)

Year	Output (Qtl)	Value (in Rs.)	Increase (in Rs.)	Decrease (in Rs.)	Profit (%)	Loss (%)
2004-05	6801.00	16597878	-	-	-	-
2005-06	7790.00	19188484	2590606		15.61	
2006-07	4274.00	8910911		7686967		46.31
2007-08	6105.34	15907975		689903		4.16
2008-09	8007.33	23947363	7349485		44.28	
2009-10	5328.00	14253689		2344189		14.12
2010-11	5821.00	21147151	4549273		27.41	
2011-12	6056.04	28579534	11981656		72.19	
2012-13	8379.38	30708929	14111051		85.02	
2013-14	8040.50	34505984	17908106		107.90	
2014-15	8181.63	39566000	22968122		138.38	

Source: Project Office, Kollam

Output-wise comparative statement of CVCS under Kollam Project for a period of 11 years commencing from 2004-05 to 2014-15 are given in Table No. 3.6. This statement provides an analytical picture of CVCS under the Project stating, the percentage of increase or decrease in production for the period under review by taking into account the value of the output of 2004-05 as the base year. In terms of output, the increase in production for the above period reveals that the increase is only to the extent of 1380.63 quintals only (20.03 per cent). It gives an unsatisfactory picture of the growth and development of this industry over more than a decade. In terms of its value, the increase comes to the tune of Rs. 229.68 lakh (138.38 percent). It can be seen that in terms of value, the output has doubled over the above period. This growth was very low when converted in terms of the real value of money, in terms of the base year price.

Kundara Circle

Table No. 3.7

Stock-turnover Ratio of Coir Co-operative Society in Kundara Circle

Sl. No.	Name of Society	Opening stock (in Qtl)	Purchase and Direct Expenses (in Rs.)	Closing Stock (in Qtl)	Stock-turnover Ratio
1	Velliman CVCS No. 293	66,148.00	777,830.00	0.00	25.52
2	Pampalil CVCS No. 864	0.00	844,261.00	17,940.00	92.12
3	Kandachira CVCS No. 50	0.00	604,462.00	0.00	0.00
4	Cherumoodu CVCS No. 119	0.00	727,882.00	0.00	0.00
5	Kanjirakodu CVCS No. 358	0.00	307,570.00	1,886.00	324.16
6	Pulikuzhi CVCS No. 626	0.00	1,205,328.00	0.00	0.00
7	Kuzhiyam CVCS No. 629	782.00	356,626.00	1,334.00	336.55
8	Charukkadu CVCS No. 631	0.00	871,679.00	53,636.00	30.50
9	Velliman East CVCS No. 861	6,578.00	725,575.00	0.00	222.61
10	Nandirikal CVCS No. 862	11,720.00	199,291.00	14,352.00	15.09
11	Pambalil East CVCS No. 866	0.00	1,090,120.00	0.00	0.00
12	Kanjirakodu CVCS No. 872	5,198.00	483,696.00	17,434.00	41.66
13	Perinadu CVCS No. 873	127,420.00	1,549,884.00	0.00	26.33
14	Chemmakadu CVCS No. 300	0.00	1,016,437.50	50,646.00	38.14

Source: Project Office, Kollam

The stock-turnover ratio of coir co-operatives in Kundara circle shows Kuzhiyam CVCS No.629 has the highest inventory turnover ratio (336.55 times) and brisk sales. The second highest stock turnover ratio goes to Kanjirakodu CVCS No. 358 (324.16 times). This result reveals the **sales efficiency** of these societies. The low stock turnover ratio results in blocking of funds in inventory. The stock-turnover ratios of four societies are not computed due to lack of sufficient data. This is because, in most of the societies, proper accounting system for any type of financial transaction is not kept. It reveals that the coir inspectors evade from their responsibilities of effective inspection.

Table No. 3.8

Comparative Income Statement of Vellimon CVCS No. 293 for the year ended 2014 and 2015

Particulars	2013-14	2014-15	Net Increase	Net Decrease	Increase	Decrease
			₹	₹	%	%
Sales	818,943.00	772,800.00		46,143.00		(5.63)
Less: Cost of goods sold	762,080.00	777,830.00	15,750.00		2.07	
Gross profit/loss	**56,863.00**	**(5,030.00)**		**61,893.00**		**(108.85)**
Less: Admin. expenses	193,184.00	118,737.22		74,446.78		(38.54)
Selling expenses	15,650.00	15,000.00		650.00		(4.15)
Total operating expenses	208,834.00	133,737.22		75,096.78		(35.96)
Operating profit/loss	**(151,971.00)**	**(138,767.22)**		**13,203.78**		**(8.69)**
Add: Non-operating income	89,224.25	54,576.00		34,648.25		(38.83)
Net profit/loss	**(62,746.75)**	**(84,191.22)**		**21,444.47**		**34.18**

Source: Project Office, Kollam

The comparative income statement reveals that there is no wide variation in the sales value of this society for the current year. The cost of goods sold also increased (2.07 per cent) in the current year as compared to previous year 2013-14. The society earned gross profit in 2013-14 and incurred gross loss in 2014-15. This was due to the fact that there is a net increase in the volume of cost of goods sold. As the total operating expenses decreased in the current year, there was a corresponding reduction in the operating loss also. The net loss of the society increased (34.18 per cent) in the current year as compared to previous year. This society has provided employment opportunities to 14 workers for 227 days, led to the generation of 3178 labour days in the current year. Generation of more labour days reveals the sincerity of the society towards adherence of the co-operative objective of providing employment opportunities to the workers.

Table No. 3.9

Performance Evaluation Statement of CVCS (Kundara Circle) 2013-14

Sl. No.	Name of the society	No. of working labour	No. of working days	No. of Labour days	Total cost	Total revenue	Profit	Loss	Profit on sales	Loss on cost
1	Vellimon CVCS No. 293	14	227	3178	777730	818943	41223		5.03	
2	Pampalil CVCS No. 864	18	250	4500	973586	966350		7236		0.74
3	Kandachira CVCS No. 50	15	149	2235	581230	540176		41054		7.06
4	Cherumoodu CVCS No. 119	11	193	2123	585218	560346		24872		4.25
5	Kanjiracode CVCS No. 358	8	40	320	70016	59118		10898		15.57
6	Pulikuzhi CVCS No. 626	16	270	4320	1261835	1301593	39758		3.05	
7	Kuzhiyam CVCS No. 629	13	102	1326	280347	244525		35822		12.78
8	Charukadu CVCS No. 631	14	195	2730	815990	779929		36061		4.42
9	Vellimon east CVCS No. 861	13	184	2392	590297	574033		16264		2.76
10	Nanthirical CVCS No. 862	12	152	1824	205087	173996		31091		15.16
11	Pampalil east CVCS No. 866	16	263	4208	1269746	1245715		24031		1.9
12	Kanjiracode CVCS No. 872	9	303	2727	481067	439195		41872		8.7
13	Perinadu CVCS No. 873	28	203	5684	1646880	1642864		4016		0.24
14	Chemmakkadu CVCS No. 300	20	152	3040	1035168	924554	110614			10.69

Source: Project Office, Kollam

Table No. 3.9 analyzes the operational particulars of CVCS under Kundara circle. Details regarding the number of workers engaged in production, total number of days of operation, total number of labour days generated per society, cost and revenue per labour day and income generated surplus or deficit attributed to loss etc. is measured. It is observed that out of 13 CVCS under Kundara circle, two units - Vellimon No. 293 and the other Pulikkuzhi No. 626, have generated labour surplus to the tune of Rs. 5 and Rs. 3 respectively per labour day. All the other 11 CVCS have added deficit to the pool of loss. Among the loss generating units, Kanjiracode CVCS No. 358 and Nanthirical CVCS No. 862 had suffered maximum deficit per labour day (Rs.15.57 and Rs 15.16). These results reveal that if the units remain shut down and kept non- operative, the quantum of loss can be reduced to the extent of Rs 15 per labour day. The fear of mounting-loss phobia encourages majority of the managements to keep the units as non-functioning.

Table No. 3.10

Statement of Labour Efficiency of CVCS Kundara Circle 2014-15

Sl. No.	Name of the Society	No. of Working Labour	No. of Working Days	No. of Labour Days	Total Cost (Rs.)	Total Revenue (Rs.)	Cost per Labour Day (Rs.)	Revenue from Labour Day (Rs.)	Difference (Rs.)	Percentage (Rs.)
1	Vellimon CVCS No.293	14	227	3178	777730	818943	244.72	257.70	12.96	5.03
2	Pampalil CVCS No.864	18	250	4500	973586	966350	216.35	214.74	-1.60	-0.74
3	Kandachira CVCS No.50	15	149	2235	581230	540176	260.05	241.69	-18.36	-7.06
4	Cherumoodu CVCS No.119	11	193	2123	585218	560346	275.66	263.94	-11.71	-4.25
5	Kanjiracode CVCS No.358	8	40	320	70016	59118	218.8	184.74	-34.05	-15.57
6	Pulikuzhi CVCS No.626	16	270	4320	1261835	1301593	292.09	301.29	9.20	3.05
7	Kuzhiyam CVCS No.629	13	102	1326	280347	244525	211.42	184.40	-27.01	-12.78
8	Charukadu CVCS No.631	14	195	2730	815990	779929	298.90	285.69	-13.20	-4.42
9	Vellimon East CVCS No.861	13	184	2392	590297	574033	246.78	239.99	-6.79	-2.76
10	Nanthirical CVCS No.862	12	152	1824	205087	173996	112.44	95.39	-17.04	-15.16
11	Pampalil East CVCS No.866	16	263	4208	1269746	1245715	301.75	296.03	-5.71	-1.9
12	Kanjiracode CVCS No 872	9	303	2727	481067	439195	176.41	161.05	-15.35	-8.7
13	Perinadu CVCS No.873	28	203	5684	1646880	1642864	289.74	289.03	-0.71	-0.24
14	Chemmakkadu CVCS No.300	20	152	3040	1035168	924554	340.51	304.11	36.38	0.11

Source: Project Office, Kollam

The Table provides a cost-volume profit analysis of the performance of CVCS under Kundara circle for the financial year 2013-14. The macro level analysis of the profit and loss statement is given in the Table. The micro level (per labour day) and the macro level (CVCS level) results of this analysis reveal the uniformity of loss percentages.

Vellimon and Pulikkuzhi CVCS make profit whereas all the other 11 CVCS make losses of which Kanjiracode and Nanthirical contributes heavily (15% loss each). Strictly speaking, Perinadu CVCS out-performed all other CVCS by generating maximum labour days (5684) at a minimum level of loss (0.243 percent). This indicates the operational commitment of the management of the society and adherence to the co-operative objective of providing maximum number of days of work to the workers despite keeping the unit non-functional to reduce the operating loss.

Karunagapally Circle

In order to have a clear understanding about the performance and functioning of the co-operative segment, a detailed analysis about the sampled societies located in Karunagapally, Kundara and Alappuzha circles are made. A detailed examination of the financial statement of those societies is made. The result of the analysis of the profit and loss statements of the societies in Karunagapally circle is given in Table 2.01. Karunagapally circle consists of 13 operational CVCS.

Table No. 3.11

Gross Profit/Loss of Coir Co-operative Societies in Karunagapally Circle

Sl. No	Name of Society	Sales	Cost	Profit/Loss	Gross Profit Ratio
1	Adinadu North CVCS No. 488	90,270.00	110,543.00	(20,273.00)	(22.46)
2	Alappadu Mannel-kadavu CVCS No. 868	181,196.00	285,009.80	(103,813.80)	(57.29)
3	Ayanivelikulangara CVCS No.497	143,004.00	238,921.90	(95,917.90)	(67.07)
4	Clappana CVCS No.431	1,777,551.00	1,521,724.00	255,827.00 (Profit)	14.39
5	Karunagappally CVCS No.3067	134,385.00	192,987.00	(58,602.00)	(43.61)
6	Kattilkadavu CVCS No. 389	90,504.00	123,931.00	(33,427.00)	(36.93)
7	Kozhikodu CVCS No.74	39,375.00	50,867.00	(11,492.00)	(29.19)
8	Maruthurkulangara North CVCS No.474	301,905.00	461,200.00	(159,295.00)	(52.76)
9	Pallikadavu CVCS No.844	1,073,484.00	1,074,501.00	(1,017.00)	(0.09)
10	Prayar South CVCS No. 547	161,400.00	195,039.00	(33,639.00)	(20.84)
11	Puthumannelkadavu CVCS No.874	625,350.00	709,295.00	(83,945.00)	(13.42)
12	Thurayilkunnu CVCS No.327	274,809.00	416,082.00	(141,273.00)	(51.41)
13	Vazhakuttathilkadavu CVCS No. 642	616,036.00	719,745.00	(103,709.00)	(16.83)

Source: Project report, Kollam circle

Table No. 3.11 shows the operating profit/loss of the societies in Karunagapally circle for the period of 2014-15. The result of analysis reveals that Clappana CVCS No. 431 is the only society which makes profit from the coir business in this region. Ayanivelikulangara CVCS No. 497 has made record loss of (67.0 per cent) compared to other societies. It is found that this society has only limited sales activity. The lowest gross loss (0.09 per cent) incurred in this circle belongs to Pallikkadavu CVCS No, 844. The percentage of loss closely relates to its operational activities. It is found that the volume of loss cumulates directly in proportion to the increase in the number of working days in a year.

Table 3.12

Stock-turnover Ratio of
Coir Co-operative Societies in Karunagapally circle

Sl. No	Name of Society	Opening stock	Purchase and Direct expenses	Closing Stock	Stock turnover Ratio
1	Adinadu North CVCS No. 488	0	97,920.00	7,650.00	23.60
2	Alappadu Mannel-kadavu CVCS No. 868	64,578.00	103,122.00	63,558.00	1.63
3	Ayanivelikulangara CVCS No.497	0	143,004.00	0	0.00
4	Clappana CVCS No.431	0	1,736,167.00	240,304.00	12.45
5	Karunagapally CVCS No.3067	55,358.00	73,334.80	5,692.20	5.41
6	Kattilkadavu CVCS No. 389	24,517.50	80,822.00	14,835.50	4.60
7	Kozhikodu CVCS No.74	0	39,375.00	0	0.00
8	Maruthurkulangara North CVCS No.474	22,500.00	288,805.00	9,400.00	18.93
9	Pallikadavu CVCS No.844	0	1,073,484.00	0	0.00
10	Prayar South CVCS No. 547	0	105,800.00	6,440.00	30.86
11	Puthumannelkadavu CVCS No.874	0	692,462.00	67,112.00	18.64
12	Thurayilkunnu CVCS No.327	0	274,809.00	0	0.00
13	Vazhakuttathilkadavu CVCS No. 642	0	616,036.00	0	0.00
14	Kettidathil Kadavu CVCS No.Q1107	0	29,704.20	29,704.20	0.00

Source: Project Report, Kollam Circle

The stock-turnover ratio of Prayar South Coir Co-operative Society in Karunagapally circle shows that the inventory turnover ratio is 30.86 times. Stock turnover ratio of Adinadu North CVCS No. 488 shows the second highest (23.60 times). A low stock-turnover ratio results in blocking of funds in inventory that leads to financial crisis. The results of seven societies were not given in the Table, as these societies do not have neither opening nor closing stock.

A detailed examination of the individual societies has provided vital information relating the problems and prospects faced by these units. Table No. 3.13 presents the details regarding the comparative performance evaluation of Adinadu North CVCS No.488.

Table No. 3.13

Comparative Income Statement of Adinadu North CVCS No. 488 for the Year Ended 2014 and 2015

Particulars	2013-14 ₹	2014-15 ₹	Net Increase/ Decrease	
			₹	%
Sales	544,492.00	90,270.00	(454,222.00)	(83.42)
Less: Cost of goods sold	598,314.00	103,943.00	(494,371.00)	(82.63)
Gross profit/loss	**(53,822.00)**	**(13,673.00)**	**40,149.00**	**74.60**
Less: Admin. Expenses	187,880.00	161,024.00	(26,856.00)	(14.29)
Selling expenses	16,236.00	6,600.00	(9,636.00)	(59.35)
Total operating expenses	204,116.00	167,624.00	(36,492.00)	(17.88)
Operating profit/loss	**(257,938.00)**	**(181,297.00)**	**76,641.00**	**29.71**
Add: non-operating income	0.00	0.00	0.00	0.00
Net profit /loss	**(257,938.00)**	**(181,297.00)**	**76,641.00**	**29.71**

Source: Project Report, Kollam Circle

The comparative income statement analysis reveals that, at present, this society is running at a loss. The society's net loss in 2013-14 was ₹ -257938 and ₹ -181297 in 2014-15. It shows that there is a decreasing trend in production and sales over the previous year. The gross loss shows a decrease in the current year (74.60 %). The net loss of the society reveals that only 29.71 per cent decrease was there in 2014-15, because the increase of operating expenses of the current year is marginal, compared that in 2013-14. The low volume of sales due to the low production and low level of operation reveals the reluctance on the part of the management to provide more days of employment to the workers in order to avoid the accumulating volume of loss.

Table No. 3.14

Statement of Labour Efficiency (2014-15) in Karunagapally Circle

Sl. No	Name of Society	Total Cost	Total Revenue	No. of Labour Days	Cost/ Labour Day	Revenue per Labour Day	Difference	Per-centage
1.	Aadinadu North CVCS No.488	110543	90270	870	127.06	103.76	-23.30	-18.34
2.	Alappadu Mannel kadavu CVCS No.868	285009.8	103122	325	876.95	317.30	-559.66	-63.82
3.	Ayanivelikulangara CVCS No.497	238921.9	143004	750	318.56	190.67	-127.90	-40.15
4.	Clappana CVCS No.431	1467974	1736167	9612	152.72	180.62	27.90	18.27
5.	Karunagapally CVCS No.3067	192987	73334.8	1000	193	73.33	-119.65	-62.00
6.	Kaattilkadavu CVCS No.389	123931	80522	319	388.50	252.42	-136.08	-35.03
7.	Kozhikode CVCS No.74	50867	39375	81	628	486.11	-141.88	-22.60

8.	Maruthurkulangara North CVCS No.474	445157	288805	1320	337.24	218.80	-118.45	-35.12
9.	Pallikadavu CVCS No.844	446724	1073484	4144	107.80	259.05	151.25	140.30
10	Prayer South CVCS No.547	116539	105800	432	269.77	244.91	-24.86	-9.21
11.	Puthu Mannel Kadavu CVCS No.874	698585	692462	2646	264.02	261.70	-2.32	-0.88
12.	Thurayil Kunnu CVCS No.327	184031	274809	2250	81.80	122.14	40.35	49.33
13.	Vazhakoottathil Kadavu CVCS No.642	719745	616036	3576	201.27	172.27	-29	-14.41
14.	Kettidathil Kadavu CVCS No.Q1107	--	29704.2	205	0	144.90	144.90	--
	Total	**5081014.7**	**5347095**	**27490**				

Source: Project Report, Kollam Circle

Table No. 3.14 reveals the efficiency level of labourers working in various CVCS under Karunagapally Circle for the year 2014-15. As per the data, Thurayil-Kunnu ranks top with a surplus of 49 per cent and Clappana ranks second with 18 per cent. All the other 12 societies out of the total 14, are loss-making units. As the data of one CVCS, (Kettidathil Kadavu) is not available, computation has not been done with regard to that society. It is observed that the overall performance of this circle is below satisfactory level. The comparative income statement analysis of Vazhakoottathil Kadavu CVCS reveals increasing trend in the sales value (13.17 per cent). The cost of goods sold in the current year shows the same trend as compared to previous year (2013-14). The stability of cost of goods sold in the current year supports the decrease in the gross and net loss for the current year. The performance level of this society reveals its efficiency. Instead of increasing the net loss with increase in the volume of sales, it recorded a decline (8.35%). This society has rendered sufficiently longer period of working days to its employees namely, 3536 labour days.

Table No. 3.15

Statement of Profit or Loss for the Year 2014-15
(CVCS Karunagapally Circle)

Sl. No	Name of Society	No. of Labourers	No. of Working Days	No. of Labour Days	Total Cost	Total Revenue	Profit/Loss	Per-centage
1.	Aadinadu North CVCS No.488	29	30	870	110543	90270	(20273)	-18.34
2.	Alappadu mannel kadavu CVCS No.868	13	25	325	285009.8	103122	(181887.8)	-63.82
3.	Ayanivelikulangara CVCS No.497	25	30	750	238921.9	143004	(95917.9)	-40.15
4.	Clappana CVCS No.431	36	267	9612	1467974	1736167	268193	18.27
5.	Karunagapally CVCS No.3067	10	100	1000	192987	73334.8	(119652.2)	-62.00
6.	Kaattilkadavu CVCS No.389	29	11	319	123931	80522	(43409)	-35.03
7.	Kozhikode CVCS No.74	9	9	81	50867	39375	(11492)	-22.60

8.	Maruthurkulangara North CVCS No.474	33	40	1320	445157	288805	(156352)	-35.12
9.	Pallikadavu CVCS No.844	16	259	4144	446724	1073484	626760	140.30
10	Prayer south CVCS No.547	12	36	432	116539	105800	(10739)	-9.21
11.	Puthu mannel Kadavu CVCS No.874	18	147	2646	698585	692462	(6123)	-0.88
12.	Thurayil Kunnu CVCS No.327	45	50	2250	184031	274809	90778	49.33
13.	Vazhakoottathil Kadavu CVCS No.642	34	104	3536	719745	616036	(103709)	-14.41
14.	Kettidathil Kadavu CVCS No.Q1107	5	41	205		29704.2	29704.2	-18.34
	Total	**314**	**1149**	**27490**	**5081014.7**	**5347095**	**(266080.3)**	

Source: Project Report, Kollam Circle

Table No. 3.15 shows the statement of profit or loss made by the societies under Karunagapally circle for the period of 2014-15. As labour surplus percentage equates with the performance efficiency of the CVCS, the per cent of surplus or deficiency is the same figure as that of the Table No. 3.14. Pallikkadavu CVCS has proved as the most inefficient unit with 140 per cent loss followed by Puthumannel Kadavu with 64 per cent loss. A lot of reasons are there for the poor performance of these societies. Among them, higher cost of raw materials and lower level of revenue returns are the reasons for the poor performance of the societies.

Coir Co-operatives in Alappuzha Region

At present, no traditional and functional defibering units are there in Alappuzha and Kollam Circles. Based on the method of operation, co-operative societies may be classified into three groups namely;

- Societies manufacturing coir in the traditional way
- Fully mechanized societies and
- Societies manufacturing coir in the traditional as well as in the mechanised way

For the year 2012-13, this region manufactured coir to the level of 23882 quintals of fiber, costing Rs.900.45 crore. A coir worker of a society who produces 20kg of coir on an average is eligible for a daily wage of Rs. 300 (Rs.190 from the society and Rs.110 as incentive from Coirfed). The standard output that can be produced from one quintal of fiber ranges from 75 to 90 kgs. of coir (outage). In Alappuzha region, the total quantity of coir manufactured during 2011 was 18686 quintal and for 2012, it was 23881 quintal. During the period of one year, the increase in the production of coir was to the extent of 5195 quintals. Regarding the activities of mats and mattings, out of the 26 co-operative societies functioning, 7 units made profit, whereas 19 were operationally loss-making units.

Table No. 3.16

Summarised Report of Alappuzha Coir Project 2014-15

Quantity of coir produced in quintal	28211.33
Quantity of coir produced in price	16.15 crores
Quantity of fiber produced in quintal	664.89
Quantity of fiber produced in price	7.18 lakh
Number of coir societies	56
Number of members worked	6258
Qty produced per unit of two workers:	20 kg/day
Salary per worker	Rs.300/day
Qty of coir produced in the last year	30529.53 qtl
Qty of coir produced in the current year	28545.42
Shortage	1984.11
Membership in coir societies	34,756 (11%)
Workers in private sector	2, 77,244 (89%)
Total number of workers under Alappuzha Coir project	3,12,000 (100%)

Source: Project Office, Alappuzha

It is observed that in the year 2014-15, the number of workers reduced considerably. Reason for the reduction is that a section of the coir workers shifted their area of operation to MNREG scheme. The wage per day for a worker in MNREGS is Rs. 385/- which is comparatively higher than what they get from coir units.

Table No. 3.17

Volume of Production, Sales and Profit 2014-15
CVCS Cherthala Circle

Sl. No.	Name of the Society	Total Production (Rs.)	Total Sales (Rs.)	Profit/Loss (Rs.)
1	Nedumpurakkad CVCS No. 552	18286550	10618411	238278
2	Chenganda CVCS No. 555	13753050	14196987	207981
3	Poothotta CVCS No. 825	1037200	1007010	-29105
4	Kalathiveedu CVCS No. 1108	11187750	11222420	35214
5	Thirunalloor CVCS No. 558	5435000	5330817	285720

Table No. 3.18

Comparative Functional Statement of CVCS under Cherthala Circle

Name of Society	No. of working days		%	No of workers		%	Wages paid		Increase/ Decrease	%
	2013-14	2014-15		2013-14	2014-15		2013-14	2014-15		
Nedumpurakkad CVCS No. 552	180	180	0	400	490	23	6,431,596	9,266,475	2,834,879	44
Chenganda CVCS No. 555	240	240	0	550	550	0	5,924,444	7,103,104	1,178,660	20
Poothotta CVCS No. 825	65	61	(6)	122	148	21	856,590	585,918	(270,672)	(32)
Kalathiveedu CVCS No. 1108	300	305	2	305	425	39	2,469,783	3,821,343	1,351,560	55
Thirunalloor CVCS No. 558	205	102	(50)	174	178	2	1,273,674	1,697,453	423,779	33

A comparative statement analysis of five major societies under Cherthala Project Circle revealed the following results. Nedumpurakkad CVCS result shows that increase in the wages paid to workers engaged in coir production was to the extent of 44 per cent. The number of workers in this society engaged in the coir production was comparatively high. For the current financial year, Kalathiveedu Society has provided 305 working days to 425 workers. Kalathiveedu society ranked top by generating 129625 labour days followed by Changanda CVCS No. 555 ranked second by generating 126000 labour days. In Alappuzha and Cherthala region, it is observed that more number of employees are working and more working days are generated, compared to other societies functioning in other circles.

Labour cost also got increased in the current year as compared to the previous year (2013-14). The highest increase in wage payment (55%) is recorded in Kalathiveedu CVCS as there is an increase of 39% in the number of workers. The societies of Cherthala region reveal that these societies, on an average, provided 177 working days to 358 workers for the current financial year (2014-15).

Chirayinkeezhu Circle

Data from a few cooperative societies were collected and presented here.

Edayar Coir Vyavasaya Cooperative Society,

Thiruvallom, Thiruvananthapuram

The society was initiated by a small group of 10 persons. Presently, the number of members has increased to 986. According to the current voters list, the number of live members is 618.

According to the wage register, there are 24 workers. On an average, a worker gets 15 – 16 days work per month. The average daily wage actually earned by a worker is Rs. 125 which means the monthly income is about Rs. 1875. Recently, the State government has introduced an Income Support Scheme (ISS). Accordingly, it has stipulated a production target of 5 kg output for a day for which the wage is Rs. 300. The society has to pay Rs. 190 directly to the worker and the balance of Rs. 110 will be remitted to his personal bank account by the Government. Obviously, the wage is very unattractive. During 2013 – 14, the workers were paid bonus of 10.5%. The practice is to enhance

the bonus by 0.5% every year. Major decisions on such matters are taken at the Welfare Fund Board Office in Chirayinkeezhu.

Coir spinning is the major activity. Husks are obtained from regular suppliers. The ratts are manually operated. The finished products are transported to Coirfed in Alappuzha.

Members of the cooperative are enrolled in the welfare fund scheme of the Dept. of Labour. The cooperative will remit Rs. 1860 as annual contribution of each member in addition to Rs. 20 per month remitted by the member himself.

The Society established a mechanized spinning unit (ICDP) on 30-6-2002 with a loan obtained from a bank. Somehow or other it could not work in full swing due to various functional difficulties. Presently, the machines are idle and in a rusted condition and the work-shed also are in a dilapidated condition. The management committee of the Society is at a loss as to what is to be done for reviving the unit. The president and the secretary could have solicited the help of some expert and avoided the crisis.

Meanwhile, under a revival scheme for sick cooperatives, the Society has received, as a loan, Rs. 1,50,000 for installing a de-fibering unit. As usual, the project did not materialize. The Society is seeking the permission of the government to convert the amount into working capital. The Dept. of Coir is against it, till date.

Due to chronic financial difficulties and lack of working capital, the unit frequently becomes dysfunctional. The net result is the increasing dropout among the workers.

Another impending problem is the fast aging ratts which demand frequent repair work which is costly. According to the President, it is time for procuring new ratts and discard the old ones. Otherwise, work will get disrupted. The problem is to find money.

Yet another problem is the fast accumulating current bill. Presently (2007-2008), the bill arrears is Rs. 30,621.

Perettil CVCS

Mungode

This is almost a dysfunctional unit at present. It was started in 1956. The initiative came from Sri. S. Gopalan and Sri. Raghavan. There was no difficulty in getting the unit registered. The number of share holders at present is 850. However, the number of active workers is only 20. The capital was raised from shareholders at the rate of Rs. 10 per share. They get work for about 150 days per year. Daily wage at present is Rs. 300. – Rs. 190 from the Society and Rs. 110 as grant by the State Government. The annual bonus is 15% of the total earnings.

The unit has been in existence for the past 59 years. It started functioning with a few traditional ratts and that continues even today. No attempt has been made to procure motorized/electronic ratts so far. It is obvious that manual labour cannot lead the unit forward towards prosperity because the production and productivity are bound to be very low. Current status of working capital is about Rs. 1 lakh and the status of debt is Rs. 61 lakh. Due to shortage of money to meet the day-to-day expenses, the unit remained closed during 2012-14. Presently, it is working with 20 member workers.

According to the president, "The State Govt. has spent crores of rupees for promoting the coir sector. We have no idea as to how the money was spent and who benefited. Several commissions have been appointed to study the needs and problems of the coir industry in Kerala. The studies were of no use. The Coir Development Department is also of no use. What is intended for labour should reach them. At least 300 days of work per year should be guaranteed for the workers."

Needs and problems highlighted at the interactive sessions

1. The price offered by Coirfed has to be increased to cover the actual cost of production, unit administrative expenses plus reasonable profit. At present, the price is fixed unilaterally by a Committee constituted by Coirfed.
2. There is acute shortage of coconut fiber. These are supplied by private parties who are in the habit of increasing the price every now

and then. Govt. has no control over them. In the beginning, the unit used to procure husks and ret them in ponds nearby.

3. The Government has to make arrangements for the regular payment of the monthly salary due to the employees of CVCS.
4. Government should set up modern ratts in CVCS to increase production and profit.
5. Member-workers should be given pension and other social security benefits also bonus and leave surrender facilities
6. Government should write-off the loan burden of Rs. 61 lakh plus interests due to the District Cooperative Bank. It should also provide enough working capital for reviving the unit. However, the share holders numbering about 850 are not willing to invest money in the unit.
7. Schemes have to be developed for protecting the health of the workers.
8. Government should make arrangements for effectively marketing the products.
9. The Coir Research institute is set up at Kudappanakunnu in Trivandrum is yet to come out with new machines and tools
10. It is difficult to get a suitable secretary for the unit, since the unit is unable to pay the prescribed monthly salary of Rs. 3000. (Many other societies nearby also do not have secretaries for the same reason.)

This unit has a machine to de-fiber retted husks. But now it is dysfunctional due to some technical fault. The society at present doesn't have money to get it repaired. Retted husks are not readily available.

Perunguzhi CVCS Ltd.

No. 3053

This spinning unit was started on 29th May, 1950. The initiative came from Messrs. Janardhanan, K.P. Kunjan, T.A. Shanmughadas, Madhavan, Bhaskaran and Habeeb.

In the beginning, the unit started production in the premises of a rented building. Since there was no security, there were occasional theft of husks and fiber. The shareholders met the then Minister for Industry Sri. T.V. Thomas who provided Rs. 50,000 as additional capital. The total capital mobilized was

Rs. 19, 63,047 (Rs. 5,62,690 contributed by shareholders and 14,00,357 by the State Govt.) The premises of the present work-shed consist of 1.5 acres and there is considerable income from coconut trees.

Presently, the unit has a saving of Rs. 2,34,777 (March 2015), but a debt burden of Rs. 6,40,889.

At the beginning, there were 200 shareholders but at present, the number is 1515. The number of workers is about 200. On an average, they get 20 – 25 days of work per month. The daily wage is Rs. 300 and gets an annual bonus of 15.5% of their total earnings during the accounting year.

Status of mechanization

In the beginning, there were a few traditional ratts. Presently, there are 3 automatic ratts, 9 electronic ratts, 33 traditional ratts, a husk-beating mill, 3 de-fibering machines and a fiber-cleaning mill.

Marketing

The products are sold to Coirfed. Sometimes, there is delay in payment by Coirfed which puts the unit in financial difficulties.

Current financial position

Year		Net profit/loss (in Rs.)	
2005-06	-	19,558	Net profit
2006-07	-	55,011	Net profit
2007-08	-	5,04,274	Net loss
2008-09	-	2,83,427	Net loss (a pick-up van was bought for the Sanghom)
2009-10	-	2,24,545	Net loss (PMI grant received)
2010-11	-	4,19,930	Net profit
2011-12	-	98,661	Net profit
2012-13	-	68,400	Net profit
2013-14	-	4,588	Net profit
2014-15	-	14,121	Net profit

How do they generate profits consistently? What are the factors which contribute it?

Marketing

The products are sold through Coirfed. However, there are serious problems. Payment by Coirfed is not prompt. In 2014-15, arrears of payment reached 12 lakhs which compelled the unit to borrow money from District Cooperative Bank and had to pay the interest. Occasionally, Coirfed is not prompt in buying the products.

The most important lacuna is the prices fixed by Coirfed. It doesn't take into consideration the actual cost of production as well as the administrative expenses of the unit. This is one of the prime reasons for the loss suffered by the units.

Cost of production

1.	Cost of 1200 husks (for 100 kg coir):	Rs.2,400
2.	Vattam chelavu:	300
3.	Thondu thazhthu coolie:	300
4.	Eduppu coolie:	300
5.	Ennu coolie:	100
6.	Pola oorippu coolie:	700
7.	Husk beating and fiber cleaning:	900
8.	Coir spinning:	6,300
9.	Bundling:	350
10.	Miscellaneous expenses:	200
11.	Bonus at 15%:	1,775

	Total	13,625
12.	Sale price of 100 kg coir + PMI: (8850+885)	9,735

13.	Net loss:	3,890

According to the president, cost of production could be reduced if modern electronic ratts are used. Instead of three people, working on a traditional ratt, a modern ratt needs only two which brings down the cost. In this unit, many of them are traditional ones. Besides, in Alappuzha district, presently the units make use of dry husks whereas in this unit retted husks are used which

obviously increases the processing cost. In Chirayinkeezhu - Anchuthengu areas, enough dry husks are not available. One of the reasons is that most of the coconut trees are afflicted with kattuveezhcha.

Another reason for loss or low margin of profit is due to the manipulated dynamics of the market. When the price of coir increases in the internal and international market, the private traders correspondingly increase the price of husks thereby reducing or neutralizing the profit due to the production units. The traders get the benefit.

Coir Inspector

Visits occasionally and examines the registers. To get the various benefits offered by the State Govt., Inspectors' recommendations are necessary.

Difficulties experienced by the unit

1. The unit is suffering from shortage of working capital at present
2. Frequent delay in getting the payment from Coirfed
3. Total production cost is higher than the selling price offered by Coirfed
4. The wage of Rs. 300 per day is very unattractive and hence, youngsters are unwilling to take up work in the unit
5. Shortage of dry husk in the locality
6. Interest rate for loans availed of is very high – 14% (Govt. should intervene and get the rate reduced to 4 or 5 %)

Suggestions mooted by the president

The president and the secretary have certain suggestions for overcoming the difficulties:

1. The State Govt. should ensure adequate working capital at low interest rate for CVCS
2. Govt. should make arrangements for collecting dry husk and supply them to the units at moderate price. This is required to protect the units against exploitation by private traders.
3. Coirfed should be instructed to fix reasonable prices for the products taking into consideration the actual cost of production, administrative

expenses, bonus and other fringe benefits paid to labourer including Provident Fund and Gratuity

4. Coirfed should disburse the money due to the societies without undue delay
5. The present minimum wages of Rs. 300 should be increased to Rs. 500 per day with government support
6. Total mechanisation and modernization is necessary for higher productivity and profitability. The efficiency and effectiveness of Coirfed have to be enhanced considerably so that higher prices and more sales could be guaranteed to the member CVCSs.

The investigators could visit the unit and observe its working. It has sufficient infrastructural facilities including two work-sheds and a well-furnished office. At the time of the visit, the study team found that half the production is mechanized using electronic ratts and de-fibering machines. The rest is done by manual labour. Out of the 20 traditional ratts, 12 were active in full swing. Major records are being maintained and made available to the investigators for perusal. In general, it can be stated that this is a stable unit, more or less efficiently managed.

Kovalam CVCS

Nedumam, Kovalam

The unit was registered in 1955 and became functional next year. It was established in Kazhuvur thanks to the efforts of Sri. G. Vivekanandan, EX MLA. It is dysfunctional for the past three years. At the beginning, there were 904 shareholders which has reduced to 546.

At the beginning there were 240 workers and at the time of informal work stoppage, there were 85. They received Rs. 300 as wages. As bonus, those who worked during 2012-13 (90 workers) got annual bonus of Rs. 750 from the Labour Office.

Even though the unit is dysfunctional at present, the State Government has given Rs. 54,110 during 2014-15. However, it has at present, a debt burden of Rs. 10,41,215 with penal interest due from 12-05-2006.

The unit doesn't have enough working capital at present. For the past 7 years, there was no electricity due to huge arrears of payment. For namesake, there is a secretary, who is allowed to take Rs. 3000 per month from the incomes of the unit but since there are no incomes, there is no payment.

Kadakkavur South CVCS

Kadakkavur

The unit was registered on 29-12-1956 and it started production in March 1957. The initial step was to collect the coir spun by household units in the locality and sell it at the markets in Alappuzha. In 1975, the unit was shifted to Thekkumbhagam in Kadakkavur where the society was able to obtain a spacious premise of 3 acre and 75 cents.

At present, there are 1115 shareholders. There were 50 traditional ratts during the early years and a labour force of about 350 workers. Presently, there are only 4 workers.

The coir spun has a brand name namely, Vettoor Special Coir. In the beginning, there was only manual labour, for operating the ratts. Gradually, electronic ratts and automatic spinning machines were introduced and the quantum of production increased very much. Presently, these machines are dysfunctional due to lack of business. Incidentally, it was pointed out that the workers in this area are in general, against machanisation. They like traditional ratts to work with.

The unit had a capital of Rs. 21,47,120. It consisted of a grant from the government – Rs. 4 Lakh. Added to this is the income from the big 3 acre premises which is full of coconut trees. However, the unit is in financial trouble with an accumulated debt of Rs. 40 lakh. Added to this, is the arrears of contribution to the welfare fund for coir workers and also a compensation of Rs. 10,000 as per the Workmen's Compensation Act. The local Electricity Office has disconnected the supply.

Marketing was facilitated by Coirfed. However, the price fixed by them is less than the actual production cost and payment also is delayed. Another problem is the difficulty in procuring fiber and also the frequent increase in its

price. For instance, 6 months ago, fiber of 1000 husks cost about Rs. 3600 in the private market. Presently, it has increased to Rs. 3900. Coirfed does not in any way compensate the frequent increases in the price of fiber or husks.

The secretary does not report for duty because the unit is not in a position to pay his remuneration. According to the president, the difficulties experienced in managing the unit are:

1. Shortage of husk/fiber
2. Low quality of the fiber supplied by private traders
3. Frequent increase in the price of husk/fiber which Coirfed does not compensate
4. Difficulty in procuring (women) workers due to MNREGS
5. Delay in the payment of price by Coirfed which upsets the working capital

3.7 The constraints

From the foregoing facts and figures presented, regarding the coir units in the cooperative sector, it is obvious that they function under a host of constraints: partly internal and partly external (See Diagrams No. 3.1 & 3.2). Some of them are listed below and explained.

Diagram No. 3.1

Internal Factors Adversely Impacting on Cooperative Societies

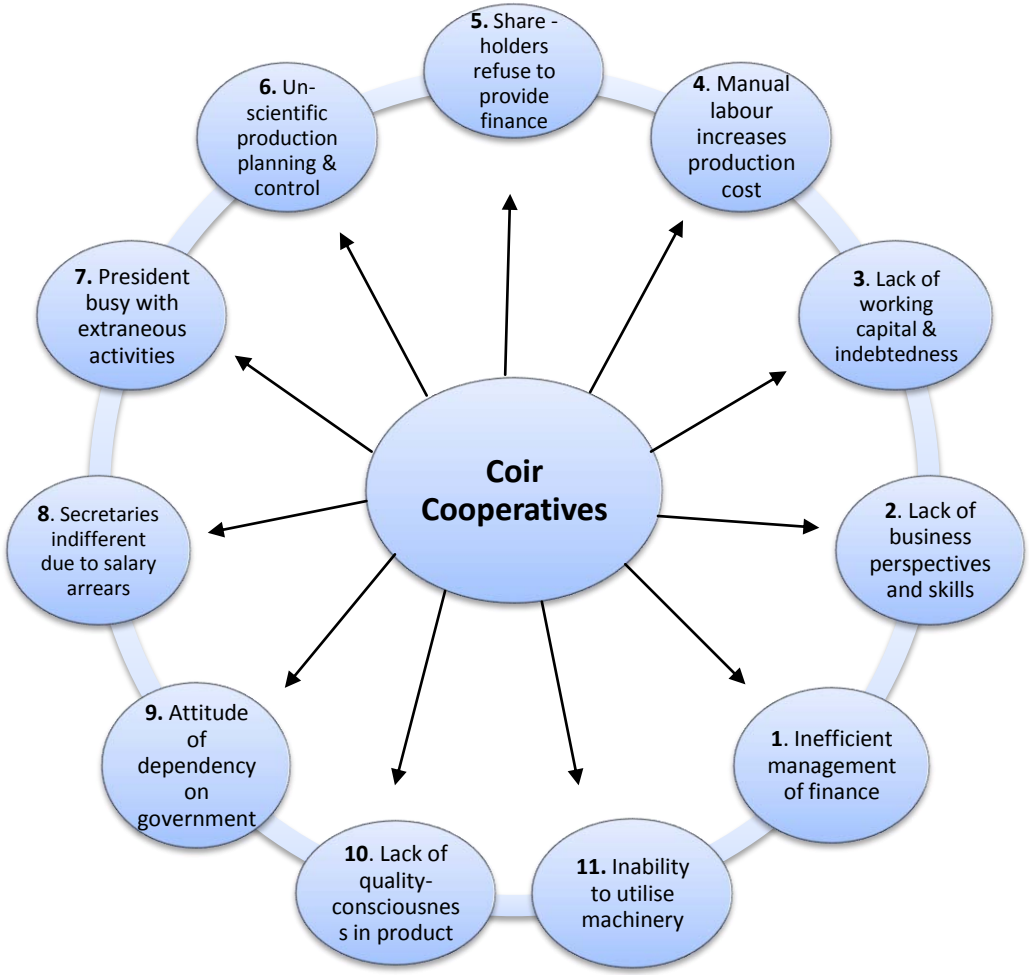

Diagram No. 3.2

External Factors Adversely Impacting on Cooperative Societies

3.7.1 Working capital shortage

In spite of all governmental support like Revival Assistance, Working Capital loan, ICDP loan and other subsidies, the CVCS are facing the problem of working capital shortage. The lengthy production process and blocking up of working capital are the reasons for this state of affairs. Once working capital is invested, it has to be rolled on. But in CVCS, the problem is that after procurement of green husks, it takes 7 to 9 months to get them retted. As running concerns, they carry out yarn manufacturing activity using old stock. But they have to pay wages and meet all other establishment and contingency expenses. These constitute a major share of their cost of production. The products are transferred to Coirfed but it takes its own time to pay back the sale proceeds. Sometimes, it takes months. This results in working capital shortage and that forces some CVCS to stop production. It is observed that around 90 % of the societies we visited are experiencing working capital shortage. Besides, most of these units are heavily indebted to banks and hence, they refuse further loans. This is a serious issue because, if left unattended, these units are bound to die.

3.7.2 Higher price of raw material

At present, CVCS have to procure husk from the open market. Naturally, they have to compete with other private manufacturing firms for purchasing it. Husk passes through several intermediaries which obviously, adds the price.

3.7.3 Procurement of husk

Husk, riped between January and March, are of high quality and that yield maximum fiber. Hence, the units have to purchase raw husk in the right season from the right place and in required quantity. But, they fail to do so because of shortage of working capital. This results in high raw material cost (Rs.1.50 per piece) and interruptions in production.

3.7.4 Non- availability of workers

Though Kerala is endowed with abundance of man power, coir societies are facing labour shortage. Lack of certainty of regular work in coir societies forces workers to go in search of work in private coir sector or other sectors from

where they get continuous work. Visits to coir-making households also revealed this situation. The secretaries of CVCS have often to visit the households in the neighbourhood in search of workers during busy periods of production.

3.7.5 Units without secretary

According to the byelaws, there should be a secretary with good educational background but not a shareholder of the unit to manage the finance, maintain the records and help the managing committee to run the business profitably. He or she is a paid employee who is expected to take care of the technical aspects of office management. The secretary is to be paid a monthly salary of Rs. 3000 to begin with, which is to be paid from the incomes generated by the unit. Many of the units could not pay even this small salary and hence, function without the secretary. Many units we visited could not produce basic records for examination.

One of the Secretaries who, we met at the Coirfed godown in Alappuzha complained that, "I have been working in this unit for the past 37 years and my salary arrears at present amount to Rs. 5 lakh."

In some societies, it is observed that the secretaries and the presidents are only occasional visitors. In most societies, secretaries are ladies. They hold on to the post only to get eligibility to be absorbed in the Co-operative Department of the State Government as regular employees, based on service quota weightage.

3.7.6 Disparities

Several disparities were found even in the audited report. Disagreement in figures was found in the annual performance report of the CVCS. The explanations given by the Coir Inspectors were found to be not satisfactory. Hence, periodic cross verification of the records as well as the actual functioning of the units by higher officials is necessary in this regard.

3.7.7 To become eligible

Majority of the societies are dysfunctional due to financial crisis and working capital shortage. However, they eagerly look for the annual government grants, subsidies and other financial assistance. To claim these, some CVCS temporarily make arrangements to become active and start production for a

short period of one month or two. Prepare appropriate records, get the audited statement of accounts and eligible certificates to claim the benefits.

The Coir Inspectors, in general, take a soft attitude towards such units. In this respect, the audit section of the Dept. of Cooperation also is soft.

3.7.8 Marketing

CVCS have to sell their products to Coirfed. They are not allowed to market them through private parties. During the investigation, it was observed that some societies sell yarn to mats and mattings owned by private parties or to local people for agricultural purpose. Some units make thick yarn, known as 'vadom' to meet local demands. Ready cash, less technical formalities and higher price are the reasons that encourage CVCS to follow this practice. This need not be discouraged.

Secretaries of CVCS regularly complain about the unscientific way of measuring quality of yarn by the Coirfed. For quality check, Coirfed takes one bundle of 15 kg coir from a load of 50 quintals of yarn and measures its runnage (Meter per kg.). If Coirfed finds the quality as less than the standard, the entire load of 5000 kg. will be under-priced. The moisture measuring equipment is not used in checking quality. The employees of Coirfed randomly assess the quality with a preconceived notion. To avoid further confrontation and delay, most of the secretaries are forced to accept this procedure.

Another complaint against Coirfed is non-acceptance of produce. As a result, godowns and offices of majority of the societies, are flooded with unsold stock. Due to lack of storage facilities at their disposal, the societies are forced to stop production and consequently, workers go to private manufacturers in search of work at lower wages (Rs. 200 per day). Moreover, due to delay in sale, the yarn gets dried, resulting in further weight-loss and that adds to the cost (of production) since the workers were already paid on the basis of the original weight.

3.8 Co-operativisation as a solution

As indicated earlier, the small coir production units were struggling to survive due to lack of working capital, difficulty in procuring husk/fiber,

marketing difficulties and rampant exploitation of middlemen traders in selling fiber and in buying the products. To resolve the problem, two committees were constituted by the Central Government (1945) and the Travancore Government (1949). These Committees recommended the re-organisation of the industry on co-operative basis and a scheme was launched by the erstwhile Government of Travancore in 1950 to co-operativise the industry. Which means, the experiment of co-operativisation has been going on for the past 60 years with liberal financial and administrative support from the governments. The net results are disappointing.

The declared objectives of co-operativisation could be taken as the parameters for assessing the performance of the societies.

The scheme included various assistance such as:

1. Share capital assistance for formation of new societies and revitalisation of dormant ones
2. Managerial subsidy
3. Assistance for purchase /modernisation/ renovation of equipment / looms etc.
4. Marketing assistance for opening of sales outlets for sale of coir products by apex coir co-operatives.

During the past 60 years, the State Government and later, the Central Government have through various schemes (See the Appendix) spent a lot of money to provide the assistances listed above through various supporting institutions such as the Directorate of Coir Development, Coirfed, Coir Corporation, Coir Board, Central Coir Research Institute (CCRI) (Alappuzha), Central Institute of Coir Technology (CICT) (Bangalore) and the National Coir Research & Management Institute (NCRMI), Thiruvananthapuram.

The co-operativisation scheme is aimed at:

1. solving the problems of the actual workers and small producers engaged in the industry
2. ensuring them regular work and a living wage
3. stabilising the industry on a sound and stable footing by cutting out middlemen and to stop all corrupt practices; and

4. establishing improved standards and quality so as to attract and ensure a better market for coir products.

It is obvious from what has been presented in this report (and in several other reports especially that of Dr. V.S. Jose (2002), Anathalavattom Anandan Coir Commission (2008), KITCO study for Coir Board (2010), the strong efforts of the two governments have not succeeded in realizing any of the declared objectives.

Of the 802 societies, (the new societies numbering 191 have not yet started working; hence, they are not included), only 536 (2015) are working. The rest namely, 266 units are dead after consuming all the subsidies and other benefits showered on them. Among the live units (536), only 164 are generating some profit. Which means, 372 societies are struggling to exist in spite of the support of the State. In other words, only 164 units out of 802 are live at present (20.44 per cent). The rest of the societies (80%) have either failed or failing. The gravity of the problem of revival of the societies is obvious from this analysis.

Table No. 3.19

Current Status of Co-operative Societies

Sl. No.	Co-operative Societies	No. of Societies as on 31.03.2014	No. of Societies as on 31.03.2015
1	Working	503	536
	i. Profit	154	164
	ii. Loss	349	372
	Total	**503**	**536**
2	New societies which have not started working	226	191
3	Dormant societies	136	137
4	Societies under liquidation	105	129
	Total	**970**	**993**

Source: Directorate of Coir Development

Another objective of co-operativisation is to provide living wage to the workers so that their standard of living could be considerably improved. It still remains as a distant target. The present wage is Rs. 300 per day out of which

Rs. 190 is contributed by the society and the balance of Rs. 110 by the government. It is obvious that this is a recurring burden on the government when we take into consideration that the total number of workers in the cooperative sector is around 188067 (2015, Directorate of Coir Development). About perks, mats and mattings units pay annual bonus (30%), PF, ESI and leave with wages (5 days) Daily wage is Rs. 350. But, the coir vyavasaya societies pay only 15-20% bonus. No other benefit since they do not have the required paying capacity. In this context, the daily wage in the construction sector is around Rs. 750-850 and that in the company coir factories ranges between Rs. 750-1500. This is just to prove that co-operativisation has not benefitted the workers. The present (subsistence) wage in the cooperative sector is far from the target of living wage. The monthly wage gets further reduced because most of the units could provide work only for 15-20 days a month. In other words, wages could be increased further only with another dose of the income support scheme.

Another objective of the scheme is to "cutout" the middlemen traders and ensures higher income for the societies. This is yet to be achieved. Middlemen along with the exporters still control the price of raw materials and finished products. It is almost impossible to eliminate them.

However, 154 societies in 2014 and 164 in 2015 have earned profits in spite of the impact of several negative factors (See the diagrams). It must be understood that the government can only provide the seed money for starting the enterprise and a few subsidies to overcome occasional financial difficulties. Entrepreneurship and business perspectives, discipline and skills alone can save the cooperative units and take them forward. The onus of turning a loss-making enterprise into a profitable one squarely rests with the president who is the de facto chief executive of the unit and its driving energy, ably supported by the secretary and the Coir Inspector. The trio should be held responsible and accountable.

President of a CVCS, in an interview, shared his view that**, "in the present scenario, cooperative societies can be managed successfully**. **If a society is running at a loss, it is primarily due to managerial inefficiency.**"

He is a veteran in the field of coir making, having inherited expertise in this field from his forefathers. At present, he supplies fiber procured from Madurai in large quantities to a good number of societies – even on credit on

long-term basis. In addition to this, he has his own production unit which is live and financially stable.

According to him, "all efforts on the part of Coirfed, Coir Board and other government agencies to mechanise this sector have resulted in wastage of money and time. He suggested that a centralized system of manufacturing and marketing is necessary to make this sector profitable. Almost all members of the management committee and the president do not have technical knowhow and managerial efficiency. Majority among these people lack commitment, dedication, honesty and sincerity. Governments, both central and the State are ready to supply machineries free of cost, but do not bother to supervise or monitor, thereafter. Machines costing lakh of rupees are kept idle without being operated even for a week. Huge revenue loss to the Exchequer is the only thing that happens. The government agencies do not bother about the operational feasibility of the machineries supplied to societies. Majority of workers lack training and technical knowhow to operate the automatic or semi-automatic machines. Societies having machineries allotted by the government or Coir Board, are located at remote areas not having even road accessibility and electricity connection. Nobody bothers about the aftermath of this distribution, whether centrally sponsored or regionally."

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Chapter IV

Small-scale and Household units

A. Small-scale units

4.1 The genesis

The small-scale unit is the other category producing coir products. They are generally owned by individuals. However, some of them have been brought under the cooperative fold. According to Sri. M.P. Pavithran (President, Kerala State Small-Scale Coir Manufacturers' Federation, Alappuzha), there are about 10,000 units in Kerala at present.

After 1947, when India became Independent, the large coir units, concentrated in Alappuzha region, were closed one by one by the foreign company proprietors and left the coir field. Some of these units were purchased by local business men but they could not revive the industry. The workers, who were thrown out of employment, mobilized capital and purchased the looms of the closed units. With them, they established production units with 5 – 7 looms in work sheds erected in their house premises.

Soon after this development, the local proprietors of the coir factories, having experienced failure in reviving the big units, changed their strategy. They converted themselves into exporters, procured orders from foreign and domestic markets, placed orders to the recently set up small-units, got the products manufactured according to their specifications and took to marketing. This they continue even today.

In this process, there was a serious lacuna. The price of the products was determined by these big traders, not taking into consideration the actual cost of production plus a reasonable profit margin/net income for the units. Gradually, these units started incurring debts. This situation motivated the proprietors of these small units to organize themselves into a strong association and collectively bargained for fair price for their products. The powerful traders did not relent. T.V. Thomas, the then Minister for Industries, sensing the seriousness of the situation, intervened and through a Government Order, made arrangements to

determine fair price for the products of small units and the traders were compelled to accept it. The Coir Board was entrusted with the task of periodically determining the sales-price of the products of the small-scale units and also the minimum export price. Somehow or other, these arrangements did not work effectively. Again, the association of small scale producers (The Kerala State Small-Scale Coir Manufacturers' Federation) initiated a strong struggle to get redressal of their grievance. As a result of this, the Coir Board was empowered to introduce the Purchase Price (Enforcement) Scheme (PPES). That ensured fair price for the products of the small units and minimum wages for the workers. Obviously, peace prevailed in the sector.

However, the Government of India cancelled the minimum export price scheme (MEP) in 2002 and as a result, the Purchase Price (Enforcement) Scheme also got cancelled. That disturbed the peace and tranquility in the coir industry.

Meanwhile, with the tacit support of some exporters, a set of middlemen traders (popularly known as "depotkar") emerged who received orders from the former and transferred them to the units for a price less than that fixed by the Price Fixation Committee of the Coir Board. Such underhand dealings started thriving.

Realizing the crisis, the State Government entrusted the task of implementing the PPES to the Coir Corporation. Also, brought the small-scale units under the co-operative scheme. As per PPES, the orders obtained by exporters from foreign markets should be passed on to the Coir Corporation which in turn, pass them to the small units. The finished products will be handed over to Coir Corporation which will pass them to the exporters. As an incentive, the exporters will get a subsidy of 7.5% of the product price. Still, the system does not function satisfactorily.

There are frequent fluctuations in the price of the products in the market. In order to take this into consideration in fixing or altering the existing price, a Grievance Committee is also functioning. The persistent problem is that the price of raw materials is never stable. Most of the time, it goes on increasing, thereby eroding the profit margin expected by the units, since the price fixed by the Grievance Committee could be changed only at the next meeting. The net result is frequent loss of income for the units. The question is what could be done to help them?

4.2 An illustrative case

The team visited a unit managed by Sri. V.M. Hariharan at Arattukuzhi in Alappuzha. It is a coir weaving unit with ten workers. The Coir Board has provided a grant under its Coir Cluster Scheme for putting up a convenient work shed. There are eight looms for which government have given financial help (Rs. 2 lakh out of which 75% is subsidy). The minimum target of production for a worker is a mat of 10 sq.ft. per shift. In practice, a few of them produce more.

The average rate of wage is Rs. 360 for 10 sq.ft. The average earnings of these workers range between Rs. 1500 – 2000 per week. Leave with wages for 13 holidays is paid at the rate of 10.5% of wages earned. The wages and annual bonus agreed at the Coir IRC are paid to the workers.

On an average, they work between 8.30 am – 5.30 pm. But the working hours, in practice, is very flexible. Most of them work for 18 – 20 days per month.

The unit gets work orders from exporters and produces items as per their specifications. The prices are fixed by a committee constituted by the government under the Purchase Price Stabilisation Scheme (PPSS). This is to protect the small units against exploitation by the unscrupulous ones among the exporters. In fact, a few of them enter into underhand dealings with small units and fix a price less than that stipulated by PPSS. Losses in deals will be compensated by financial help from PPSS and the Marketing Development Assistance Scheme (MDAS). But, there is undue delay in disbursing the financial assistance. Presently, the units have to get arrears (about Rs. 15 lakh) for the past 3 years.

Since the wages stagnate around Rs. 350 per day, workers are not keen on continuing in the unit. Daily wage for a construction worker outside is about Rs. 700 – 800. Obviously, that is more attractive.

Due to scarcity and high cost of raw materials, power shortage, financial crunch, low product cost and unwarranted or unreasonable rejection of the products by the exporters, it is difficult to survive.

Table No. 4.1

Proforma				
Product Sector: Mats & Mattings & Small-scale Producer Co-operatives				
Year	**No. of Working Societies**	**No. of Workers**	**Quantity/Value of Production (lakh)**	**Wages paid (lakh)**
2010-11	64	3770	3333.68	346.77
2011-12	56	6031	3784.41	412.8
2012-13	72	6554	4545.23	455.27
2013-14	90	7147	8327.59	592.16
2014-15	68	6933	10019.59	765.41

Source: Coir Development Directorate, 2015

4.3 Current situation

1. According to Sri. Pavithran (President, Kerala State Small-scale Coir Manufacturers' Federation), the current status of the small-scale sector in Kerala is not at all satisfactory. Partial mechanization of the handloom units has resulted in loss of jobs for about 10,000 workers. About 90% of the workers are in the small units and about 32,000 are engaged in related activities. Exporters employ a good number of them in finishing work. Their wages are low and often denied of DA, bonus, holiday wages, leave wages and gratuity.
2. Another factor is that the exporters, in general, prefer and promote machine-made products and so, give orders to such units - not to handloom units. The same attitude reflects at exhibitions and publicity especially, at international fairs.
3. Financially, a good number of units are weak and do not have even adequate working capital. Payments due to them are often delayed by the Government and Coirfed. While cooperative units get regular subsidies, private units are denied of it.

B. House hold units

The household units are engaged mostly in spinning, weaving and fiber extraction work; of which spinning accounts for 75% of household employment. Interestingly, three-fourths of all coir workers are women. The characteristics of the household unit is that it is traditional, labour intensive and of a self-employed production structure. It has become the main source of non-agricultural employment in the region in the nineteenth and twentieth centuries. (Isaac et al., 1992). The exact number of these micro units in Kerala is not available.

Household unit

The study team visited the **Paravila Fishermen Colony in Vizhinjam** and initiated a discussion with one Sri. Sidhardhan who is 60 years old and fully engaged in coir production in the traditional style as a household unit.

He procures fresh husk from local suppliers and rets them in a nearby lagoon. After a year, he salvages them and gets them fibered at a local mill. After thrashing it with long sticks, the fiber is dried and used for spinning.

He has only one manually operated ratt and it is used by three women – two of them his neighbours. The coir produced is regularly collected by a local trader. Formerly, the local cooperative society procured them.

Continuous work for about 7 – 8 hours will bring in a net income of Rs. 150 -200 per day per head.

There are several such household units in Paravila village. Men who are healthy go for fishing. Women work with the ratt for 4 – 5 hours per day in addition to household work.

This is a typical, traditional household unit in the sense that it is mostly manual work, leisure time activity; they don't write any accounts of incomes and expenditures, no calculation of profit and loss, less understanding of the coir market conditions and the exploitative role of middle men traders. No one to educate them, provide information about the changing coir market situations,

train them in calculating profit and loss and the basic principles and strategies of self-employment or entrepreneurship.

It is obvious that:

- their earnings are very low
- being women, could work only 4 – 5 hours a day after the domestic chores
- they lack capital to mechanise the ratt with an electric motor which can increase production and productivity
- they do not get any financial support as grant or subsidy from the State Government for doing business

Kavya Coir Works

Chudukad, Mudippura, Near Pachallur

Sri. Madhu started it as a unit in 2014. Get the raw material - fiber from suppliers in Kanyakumari District. The price of fiber there, is less than Rs. 2000 of the price to be paid here in Trivandrum for the same quantity. Since he has a motorized spinning ratt, two workers can manage production. Muppiri coir – the finished product is regularly procured by traders. Hence, there is no difficulty in marketing and this enables them to have enough work throughout the year. On an average, they work for 7 hours a day and get paid Rs. 250 each. In fact, the two workers who handle the ratt are the husband and the wife. There is a work-shed attached to their house.

Just like any other household unit, the couple also does not maintain any accounts of incomes and expenditures. They are happy that together, they get Rs. 500 per day regularly.

Electricity Board charges them subsidized rate only – Rs. 450 for a period of two months. The work-shed has a separate meter.

Sri. Madhu intends to buy one more ratt fitted with motor. It costs about Rs. 2 lakh inclusive of all sundry expenses. He is seeking a loan from some source, preferably from a government agency.

Spinning coir has been a traditional work and a source of income for his family. Sri. Madhu was working for some years in the Gulf and with his earnings, he was able to buy a plot and construct a small house. Being unemployed, he took up the traditional occupation of his parents. He has a little bit of business perspective and drive. No wonder, he intends to buy one more ratt and enlarge the unit. Procuring fiber from Kanyakumari District enlarges his profit. Since he doesn't keep accounts, the correct figures regarding his monthly sales returns and profit margins cannot be worked out. In other words, there is need for a change from the present informal functioning of the unit to a formal and more scientific style of management. This transformation is a must for making the unit sustainable, more profit-yielding and growth-oriented.

The Directorate of Coir Development in the State does not have any statistics regarding the number of household units in Kerala – their daily earnings, quantum of production and its sale-value, their needs and problems. Obviously, the government does not provide any support to these units. They are left to fend for themselves and in one sense, they are a role model for CVCS and the small-scale units. The household units also employ job-seekers in the neighbourhood. On an average, the couple gets an income of Rs. 500 per day plus the profit gained out of sales.

They display good entrepreneurship perspectives, skills and self-discipline which are traits necessary for profitable business. None of them complaints about difficulties in managing the unit.

The household units need credit facilities for enlarging them with motorized/electronic ratts so that they could increase their productivity, quantity of production and net income. Self-employment endeavours need a well-designed support system – not freebies. It would be good, if the Directorate of Coir Development in collaboration with the Dept. of Statistics initiates a census of household units in Kerala and acquire dependable facts and figures so that appropriate support system could be developed.

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Chapter V

Observations and Recommendations

5.1 Introduction

On the basis of the facts and figures collected, the study team could understand the basic needs and problems of the coir industry in Kerala, consisting of different layers. The State Government do not have dependable statistics regarding the number of workers engaged in the coir sector. The prevalent estimate is around 3.5 lakhs. Sri. Anathalavattom Anandan Commission, in its report (2008) has stated that the number of active coir workers must be between 40,000 – 60,000. But, according to the Federation of Indian Coir Exporters' Association, the number is 1,35,750 as detailed below:

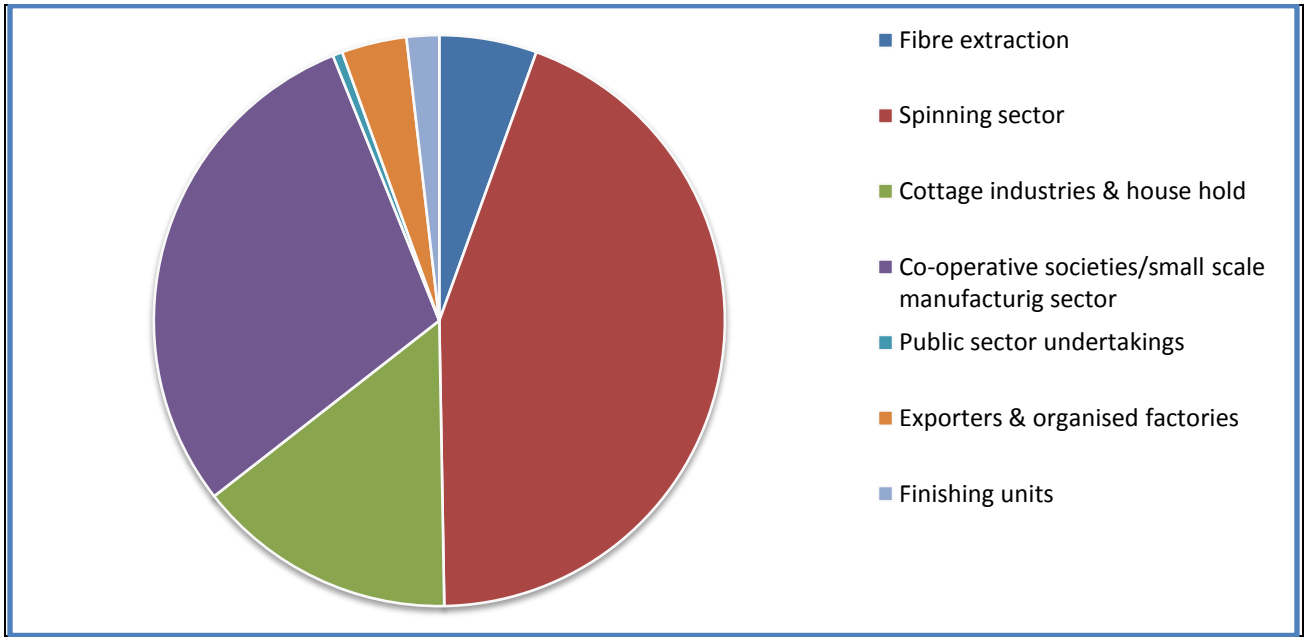
Table No. 5.1

Estimated Number of Workers in the Coir Industry in Kerala (2015)

Sl. No.	Sectors	Numbers
1	Fiber extraction	7,500
2	Spinning sector	60,000
3	Cottage industries & house hold	20,000
4	Co-operative societies/small scale manufacturing sector	40,000
5	Public sector undertakings	750
6	Exporters & organised factories	5,000
7	Finishing units	2,500
	Total	**1,35,750**

Diagram No. 5.1

Estimated number of workers in the coir Industry



Source: FICEA

The following observations and recommendations are evolved for the consideration of the State Government, the Exporters, Proprietors of the large companies, presidents and secretaries of co-operative societies, union leaders and other related stakeholders. The appropriateness and the administrative feasibility of these recommendations were discussed with FICEA representatives, senior leaders of coir workers' unions and officials of the various supporting agencies.

5.2 Exporters as the driving force

The main driving force of the coir industry in Kerala is the exporters and the managements of the large companies (Federation of Indian Coir Exporters' Association) in the private sector who successfully explore opportunities in foreign markets. They have the vision, perspectives and the business net work on a global-scale which is very vibrant. In fact, the organized sector is the back-bone of the coir industry in the State.

Besides, thanks to the strong efforts of the Coir Corporation, Foam Mattings and Coirfed, export of coir products to world markets has increased to Rs. 5 crore according to the Hon'ble. Minister Sri. Adoor Prakash. During 2010 - 11, the export sales value was Rs. 9,02,000. In 2014-15, it increased to 4,95,00,000. This is bound to increase.

5.3 Large units

According to the managements/proprietors of the large units especially in Alappuzha and its suburban areas, they experience certain **functional constraints,** unwittingly imposed by their workers/unions. Some of these are discussed in Chapter II. In spite of several requests by the managements to the State government – especially the Minister in charge of Labour and Industrial Relations of successive governments to look into the matter, no serious action has been taken so far.

The managements want to regain **the right and the freedom** to mechanise and modernize their factories in order to optimize production and productivity through appropriate technology. They aver that the export market has its own norms, trends and time-lines. Without the spontaneous cooperation

of the workers and the unions, the requirements of marketing and the requirements of the business in general, cannot be achieved optimally. The State Government is requested to intervene in the matter and bring about stable reconciliation in the matter of norms of work in respect of mechanization, modernization, labour productivity etc. Perhaps, the Industrial Relations Committee (IRC) for coir may take the initiative in the matter.

The current installed capacity of **each factory** has to be assessed and the percentage of utilization, at present, could be easily worked out by a small team consisting of representatives of senior union leaders, workers, FICEA, Dept. of Labour and subject experts. The team could also assess the current productivity status of labour and the overall cost of production per unit of each product.

Wages and perks have to be linked to their performance in terms of standard outputs. It is desirable that negotiation for wage settlements based on unscientific collective bargaining once in 3 – 5 years as a practice has to give way to scientific facts and figures, business economics and the paying capacity of the unit. Besides, long-term agreements signed by a company with its unions should be recognized and approved by IRC. Such bilateral agreements should be encouraged.

Integration of the interests of management and that of labour through direct negotiations sans threat of strikes and lockouts could be the guiding principle in industrial relations.

The issue assumes greater significance because frustrated managements are slowly shifting their business to Tamil Nadu where the industrial climate, according to them, is hassle-free.

5.4 Coir cooperatives

5.4.1 Husk procurement

As indicated earlier, persistent failure in collecting raw husk from households and copra traders and passing it on to the (536) live primary societies for retting, defibering and spinning yarn. However, there is only one husk procurement society which is running on loss at present. The gravity of the situation is obvious. Failure in this activity is one of the prime reasons for the crisis in the sector.

5.4.2 Retting

Retting of husks in ponds, canals and lakes strongly pollutes these water bodies and their environment. Hence, this practice has to be slowly given up in spite of the fact that the quality of the fiber will be better and its length will be sufficient for spinning and weaving. This is to protect the health of several hundreds of women who take up beating and willowing of the retted husk as an occupation. These women should be encouraged to take up spinning, using motorized ratts. Quality of fiber directly from green husk could be increased through appropriate machines. Coir industry has to be taken forward in an eco-friendly manner.

5.4.2.1 Technological inventions in retting

The Central Coir Research Institute (Alappuzha) of the Coir Board has developed a bacterial consortium known as 'Coirret'. The use of Coirret can reduce the retting period to 78 hours. Coir Board has not been able to extend this technology to the different layers of the industry effectively due primarily to the poor infrastructure of the units and other obstacles. Transferring such technology is of great importance for the development of the industry and to reduce the cost of production to compete with Global markets.

5.4.3 Defibering

Presently, this has lead to change in the extraction process but the lacuna is that the staple length is shorter, leading to more shedding and comparatively poor quality of the product. There is a need to develop a better process of fiber extraction that will give better fiber quality and length for the spinning and product sector. The attention of R&D institutions is invited.

5.4.3.1 Activating fiber extraction units

There are about 68 defibering units (DF Mill Societies) at present (2015) in the cooperative sector. Out of this, only 22 are working (The number of profit making unit is only 6). In the private sector also, there are dysfunctional units. All these need to be revived and activated along with the proposed concerted efforts of the Coir Directorate to collect husk and make the fiber available to the manufacturing units. Ensure that the capacity utilization of the DF units is

increased to at least 80%. If required, more defibering units (decorticated machines) should be set up so that more indigenous fiber could be made available. It is understood that the Coir Directorate has already taken steps to distribute, free of cost 100 and odd DF machines to CVCS. Ensure that the machines work efficiently.

5.4.4 Middlemen traders

One of the objectives of co-operativisation is to eliminate middlemen from the coir sector since they were/are very exploitative and deny the actual workers what they deserve such as enhanced wages and perks. Most of the CVCS do not have sufficient money on hand to purchase fiber directly at lesser price from markets in Tamil Nadu. Hence, they have to depend upon the private traders who charge higher price for fiber which they procure in bulk from Tamil Nadu at lower price. Their strategy is to supply fiber to the cash-starved CVCS on credit at a price they dictate and collect the loan when Coirfed delivers the money due to the CVCS. The traders do the same to the household units also.

The alternative is to revive the existing de-fibering (DF) units or set up new ones at strategic points or operate mobile DF units. One of the tasks of these centers is to collect green husk regularly from the households in the neighbourhood with the help of members of the local kudumbashree units and other SHGs and also from local copra traders. The Coir Development Department has already initiated steps in this manner.

5.4.5 Fair price

One of the reasons for the poor performance of the co-operative societies is the unrealistic fixation of price for their products by Coirfed. The present norms for fixing the price periodically should be critically examined. The profit margin of the units has to be enlarged so that they will be able to increase the wages a little and implement social security measures such as provident fund, ESI and gratuity. In other words, in one sense, the sustainability and the prosperity of the co-operative units largely depends upon the price offered by Coirfed. Steps have to be taken to calibrate the functioning of Coirfed and the Coir Board and enable them to increase the selling price of the products. Government should provide adequate financial support to these agencies. (AACC, 2008)

The coir society has to sell its products to Coirfed. It is not allowed to market its products through private parties. During the survey, it was observed that some of the societies market yarn to Mats and Mattings, owned by private parties or to local people for agricultural purposes. Some CVCS manufacture thick yarn, known as 'vadom', to meet local demands. Ready cash, less technical formalities, higher price etc are the reasons that encourage the CVCS to follow this practice. This need not be discouraged.

5.4.6 Quality-consciousness

During field work for data collection, several presidents/workers of co-operative units complained that some of the Coirfed officials are prejudiced in their outlook and attitude and reject their products in the name of sub-standard quality. This has compelled several household and co-operative units to prefer private traders. Workers, presidents and secretaries of these production units should be properly oriented on the importance of the quality of the products and the prescribed quality standards for each product so that they become marketable. Coirfed officials could take up the responsibility for training. Quality ensures sustainability of the unit.

5.4.7 Mechanisation

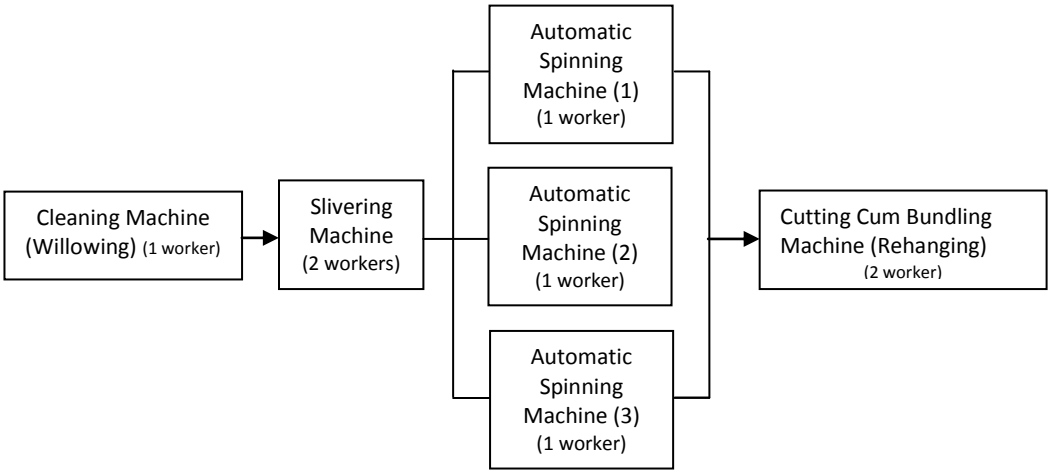
From a business point of view, mechanization of the production process is a must in a competitive world market. Workers and their unions are fully aware of this and hence, they welcome it. The State and the Central Governments have already taken several steps to promote appropriate technology through various schemes. But, due to improper implementation, the targeted degree of mechanization has not taken place, unlike the situation in Tamil Nadu. Here in Kerala also, the large industrial units in Alappuzha and Cherthala are reasonably mechanized and function efficiently with high quality products, marketable in foreign countries.

The problem persists mainly in the co-operative sector, small units owned by individuals and in the household units. Mere distribution of soft loans/ subsidies/machines is not going to solve the problem. Distribution is not implementation. The Coir Inspectors should be a little more alert and watchful and ensure the expected outcome.

Anathalavattom Anandan Coir Commission had put forward several suggestions which are very relevant. One is to set up Automatic Spinning Units consisting of three spinning machines as given in the chart below:

Diagram No. 5.2

Automatic Spinning Unit



Eight workers can operate the unit very efficiently and can produce coir up to 120-180 runnage. During an eight-hour shift, one machine can spin up to 50–60 kg coir which means per shift the total output of coir will be between 150–180 kg. (The cost of a unit with three machines is approximately 3.5 lakhs in 2008) According to AACC, such mechanized units in large numbers are necessary in Kerala in order to compete with the mechanized coir units in Tamil Nadu. (For details of the recommendation, see AACC report pages 89 – 92)

An adhoc committee consisting of experts from the three Coir Research Institutes in South India should study the type of mechanization needed by the coir units functioning in different layers – large organized units, mats and mattings, co-operatives and household units. List of several new products such as geo-textiles, coir ply etc is being presented, explained and recommended at seminars and coir fairs. These products need appropriate machinery and the infrastructure. The committee could develop guidelines for further mechanization in the coir sector, layer-wise.

5.4.7.1 Revamping the work culture

The success of any manufacturing industry primarily depends upon the productivity of the inputs. The cost of production per unit has to be as low as possible and obviously, there should be an increase in the quantity produced and its quality. Manual labour with, out of date tools/machines cannot achieve this, however sincere the worker is. Mechanisation of the production process and modernization of the management process should go hand in hand.

One of the chronic lacunae of de-fibering units and the hand-spinning units is their low output and productivity. The State Government has been generous in providing capital for purchasing machines and other accessories but, several coir cooperatives are found to be incompetent in making the optimum use of them. Due to poor maintenance and lack of operational skills, the machines have become a liability to several units and a few of them have dumped them in a corner of the work-shed. The Coir Inspectors ought to have ensured the right operation and care of the machines and optimize the output. This is not happening. Wonder, whether the present team of Inspectors have the right understanding of mechanization – its purpose and the attitudinal changes required among the manually-oriented workers (a good number of them are women) to operate the machines effectively. In other words, work culture and work ethics have to be geared to suit mechanization and modernization. The Inspectors should serve as the king pin of the expected changes.

Table No. 5.2

Tradition Vs Modernisation

Traditional characteristics (Column I)	**Modernisation** (Column II)
1. Retting of husks 1a. Retting takes 6-9 months 1b. Retting requires water bodies nearby 1c. Workers not available for retting	1. Retting is to be discouraged because it pollutes the water bodies and the environment. It is against nature
2. Beating the husks 2a. Manual work done by women	2. Defibering by machine
3. Willowing done by women	3. Willowing by machine
4. Spinning by ratt	4. Spinning by motorized ratt
5. Weaving in a loom by hand	5. Weaving by machine
6. Net result 1. Time-consuming 2. More number of workers 3. Physical strain 4. Unhygienic working conditions affecting health 5. Low output 6. Low wages 7. Cost of production high 8. Not much of management principles and strategies	**6. Net result** 1. Saving in time 2. Less number of workers 3. Physical strain is less 4. Hygienic working conditions resulting in less health problems 5. More output 6. Comparatively high wages 7. Cost of production is less 8. Wide application of modern management principles and strategies

Inference

It is obvious from the Table that a rapid transition from being a loss-making manually-operated unit to becoming a machine-operated unit is a must to gain the manifold advantages listed in column II. This transition depends upon various factors such as a policy decision by the State and the Central Governments, availability of appropriate machineries, uninterrupted power supply at subsidized rates, trained man power, forward-looking leadership with business perspectives, drive and commitment and workers willing to adapt themselves to a style of work required by machinery.

The large manufacturing units have attained this stage. Other lower layers such as the small units of mats and mattings, cooperative societies are fumbling with the transition. The household units are nowhere in the picture.

5.4.8 Different criteria for subsidy

Governmental subsidy and other assistance to CVCS are to be linked with volume of production and days of employment generated and not on the basis of sales to Coirfed. (V.S. Jose, 2002) The study team agrees with this stipulation because it is performance-oriented and fool-proof.

5.4.9 Negative strategy

Interestingly, the increase in net loss of CVCS is due to the increase in the cost of raw materials and in the operational cost. In the present scenario, with all the administrative, financial and marketing support, CVCS finds it difficult to successfully carry out its day to day operations. Hence, the (negative) strategy of some societies is to cut short the number of working days, so that the net loss could be minimized. A positive correlation is observed between the number of working days and the quantum of loss. **The loss increases with the increase in the number of working days and obviously, decreases with the decrease in the days of work.** Hence, the quantum of loss could be reduced through deliberate efforts on the part of the societies by reducing the number of working days. For instance, the percentage of net loss to sales of Adinadu North CVCS No. 488 of Karunagapally circle for the year 2014-15, was 18.33 per cent. The number of days this society functioned was 29 and the aggregate loss amounted to Rs. 20,273. The per day operating loss of this society was Rs. 700/- It denotes that this society can reduce the operating loss by Rs. 700 per day by making this unit non-functioning.

5.4.10 The burden of loan

Several failed or failing units have incurred huge debts payable to cooperative banks, National Co-operative Development Corporation (NCDC) and other sources. Obviously, due to persistent demands from these units, the State Government converted the debts into shares in 2008 and relieved the debt-burden of these units. Seven years have passed since then and the financial position of the units is no better. Several units have debt accumulation to the tune of 20 – 30 lakhs, even up to 90 lakhs and they look up to the government to get them written off once again. The government has to examine the issue seriously with discretion and take an appropriate decision whether these units

are to be liquidated forthwith (This is what the study team recommends) or shoulder the huge financial burden of reviving them, once more.

5.4.11 Weeding failed units

The overall scenario of the cooperative coir sector is disappointing. A good number of units at present (129) is on the liquidation list for several years; several others are struggling to exist (372) mainly to avail themselves of the financial benefits offered by the State Government and of course, there is a small number of profitable and stable units. Quick weeding out of the failed units and the rapidly failing units is necessary. A panel of experts should examine the surviving ones and suggest appropriate measures for reviving them as recommended by Anathalavattom Anandan Coir Commission (2008). Meanwhile, no more registration of new cooperative societies.

5.4.12 Shareholders

A good number of units has 400 up to 800 and odd shareholders but the actual number of workers is found to be only 20 or less in most of the units. At times of financial crises, the shareholders are found to be unwilling to invest money in the units. In fact, they are a burden to the unit since they outnumber the live workers while taking important decisions and influence the election of office bearers. Hence, it is desirable to reduce the number of shareholders to 25 plus and only those who are willing to work when work is available and contribute to the business.

5.4.13 Change of guard

Presidents, secretaries and members of the elected management committee of cooperatives who had mismanaged the unit into incurring huge losses and debts should be strictly prevented from assuming office hereafter since they had **proved their inefficiency** in managing the unit and its business. Pumping more money into their hands again and again is not at all desirable.

5.4.14 Secretary of the society

The secretary, being a B.Com graduate, is expected to have basic knowledge about the nature of (coir) business – its objectives, methods and

principles of management from a business point of view. In fact, he is conceived as one of the two **key executives** of the enterprise and as such should be made accountable. He should be given job-related training by experts and his performance should be observed and assessed by the president and the Coir Inspector. Retain them only if they are found to be efficient in business.

The pay structure of the secretary needs consideration. The practice is to fix it as Rs. 3000 per month. Monetary incentives for better performance could be introduced. There are very capable secretaries drawing more than Rs. 10,000 per month due to their efficiency in managing the units. Obviously, inefficient secretaries have to be weeded out.

5.4.15 Common Facility Centres (CFC)

Such centers enable the local units to avail themselves of modern technical facilities for willowing, defibering, spinning, bleaching and dyeing, weaving, packaging etc. at low cost. The centre could provide technical training to the workers in handling such machines effectively. They can easily acquire the skills and develop a liking for machines. This will also promote quality-consciousness and standard quality outputs.

The facility centers should be established on the basis of logistical understanding of the location of the units as a cluster so that their utility could be optimized. With the help of experts from the Central Coir Research Institute (Alappuzha), the Central Institute of Coir Technology (Bangalore) and the Coir Board, a model CFC project appropriate to the small and household units may be prepared for the consideration of GoK and GoI.

5.4.16 Ensuring the principles of co-operation

The president and the members of the managing committee who wield all the authority of the society should be adept in two functions: one is to efficiently manage the business and generate surplus income consistently and provide at least 200 – 250 days of work in a year with reasonable wages and perks. The other is the effective management of the society according to its declared objectives (in the byelaws), principles and practices of the concept of **cooperation**. For this, the active shareholders/worker members should be given training in the theoretical base of cooperative societies. The president should ensure that his society is strictly guided by the norms of cooperation.

This suggestion is mooted because it is found that many of the societies are cooperatives only in name and not in structure and style of functioning. Even the structure is changing by the frequent increase in the percentage of shares owned by the government by converting, under pressure, the increasing debts of the societies into shares – a strategy adopted by the government to salvage sick units.

5.4.17 List of deficiencies

Coirfed Chief Administrator Shri. K.M. Raju who delivered a talk on the subject at the national seminar on "Possibilities for Coir Co-operative Sector" at Coir Kerala 2014 in Alappuzha said that "low wages, shortage of experts, slow decision-making and lack of accountability are problems faced by coir cooperative societies that need immediate addressing. He said when compared to the private sector, coir cooperatives offer paltry salaries that are not enough to attract experts who can advise on good marketing strategies and interventions." The study team fully endorses the deficiencies listed here.

5.5 Mats and mattings units

These are small-scale units owned by private individuals engaged in spinning and weaving (Mats and Mattings) and are kept out of the State Directorate of Coir Development. The result is they don't get adequate support from the State Government, out of the funds earmarked for the protection and development of the industry. These units should also be brought within the schemes of the Directorate in addition to what Coir Board offers.

The small units need the special attention of the Committee under the Purchase Price (Enforcement) Scheme (PPES) and the Grievance Committee. The criteria for fixing the purchase price needs to be revamped in consultation with the representatives of the unions, exporters, Coir Commission, Coirfed and the Coir Development Department. With regard to the statutory payments to workers in the small-scale sector, only bonus of 30% plus ESI contribution of 6.10 % and the Leave with Wages contribution of 5% is stipulated. Being small household and tiny units, they do not come under the purview of PF & Gratuity Acts.

The apprehension of the unions is that the large-scale exporters can manipulate the price through their agents located in foreign countries. The Grievance Committee generally determines the wages of the workers based on the export price. The unions fear that by understating the price, the exporters can influence the Grievance Committee to fix the wages at a reduced rate.

These units need mechanization and modernization for which the Central Government through Coir Board have come out with a scheme under the XIIth Five Year Plan "for rejuvenation, modernization and technology up-gradation of coir industry" (Coir Udyami Yojana). Proprietors of the units should avidly seize the offer.

The products of this sub-sector – mats and mattings, need more publicity through the media and other means so that demand for them in the market could be increased. Exporters, Coir Development Department, Coirfed and the Coir Commission should take responsibility for this sales campaign.

The recent policy decision on the part of the Central Government to close Coir Board's showrooms and outlets, used to market mats and mattings, has seriously affected their sales. It is learnt that the reason for the closure is that there was some sort of manipulation and mismanagement on the part of some of the officials. Alternate strategies for marketing the products have to be put in place without any delay.

Furthermore, the mats and mattings societies face production difficulties due to shortage of raw material. They require Vaikom special and Alappadan special varieties of coir with specified runnage. Neither Coirfed nor primary coir societies manufacture and supply these varieties. Hence, the unions have suggested that the State Government should set up a raw material bank to ensure timely supply.

Another difficulty experienced is the delay on the part of Coir Corporation to make timely payment. At present, it takes 30 days. This time lag is somewhat manageable to the societies. But, the real problem is of unsold stock. Coir Corporation, at present, is not in a position to procure more products or make payments for the products already purchased due to lack of fund. Hence, many of the Mats and Mattings units are over-burdened with unsold stock, resulting in delayed payment of wages to workers. The Small-scale

Manufacturers' Association demands that this situation can be resolved by advancing sufficient funds by the Government to Coir Corporation.

5.5.1 The "Depotkar"

This has become a perennial issue. The price of the product is largely determined by the exporters and the big companies. They control the export market and the tendency noticed is to bring down the purchase price as low as possible so that their profit maximizes. Since the intervention of the State Government in determining the price through PPSS/PPES, a host of intermediaries (a few of them are only agents) have entered the scene and break the direct link and business between the exporters and the small-scale producers numbering about 10,000. The "Depotkars" are the brokers and do their best to pull down the prescribed price. The suggestion is to **eliminate** these intermediaries and ensure fair price for the small producers. Government has to compel the Exporters' Association to have **direct dealings** with the small producers and ensure the price determined from time to time.

5.6 Household units

They need credit facilities for enlarging their units with motorized/electronic ratts and other suitable gadgets so that they could increase their productivity, quantity and quality of output and net income. Self-employment endeavours need a well-designed support system – not freebies. It would be good, if the Directorate of Coir Development, in collaboration with the Dept. of Economics and Statistics, initiates a census of household units in Kerala and acquire dependable facts and figures so that appropriate support system could be developed.

These units are expected to register themselves with the Coir Board so that it can offer support through various schemes. But, unfortunately, most of the units in the State have not yet got themselves registered.

Since most of the units do not keep accounts, the correct figures regarding monthly sales returns and profit margins could not be worked out. In other words, there is need for a change from the present informal functioning of the unit to a formal and more professional style of management. This transformation is a must for making the unit sustainable, competitive and growth-oriented. They are perennial victims of middlemen traders who charge

more for the fiber and pay less for the coir. The cooperatives nearby are unable to help them by purchasing the coir due to shortage of working capital.

It will be good, if a member of such household units is given training in the basics of modern business management mainly financial management, accounting and auditing, production planning and control, quality management, marketing strategies and leadership skills appropriate to micro-units.

According to an owner of a household unit, the cluster approach will strengthen the individual units. Develop a group of ten or fifteen household units in a locality with strong leadership so that bulk buying of raw materials, bulk sales through bargaining and adhere to the economics of a typical cluster. At the same time, the individuality of the units could be retained.

Most of the production work is being done by women. Since they are members of Kudumbashree and/or SHGs sponsored by voluntary agencies, they could easily raise the capital required for developing the business of their family unit. If finance is properly managed with discipline, there will be enough savings for mechanizing the unit and increasing its output.

5.7 Project administration

It is found that the State Government through the Directorate of Coir Development has introduced a good number of schemes for strengthening the cooperative units and others for the past several decades. (See Appendix) The Government has liberally funded the projects. But, due to various reasons, the expected results and benefits have not been achieved so far. Out of 849 and odd registered coir cooperative societies, about 313 units have become totally dysfunctional. Among the rest, several of them are struggling to exist. Only a few continue to be financially stable and work without any hassles, providing regular employment to their workers. In other words, some successful units co-exist side by side with a large number of failed and failing units. Our effort was to find out the positive factors which contribute to the success of some units and the negative factors responsible for the failure of several other units which are responsible for the image of sickness in the sector.

It is obvious that the project administration needs to be calibrated. Presently, the monitoring and review practices are ineffective. The basic approach in respect of business units has to be more preventive than remedial.

There are units which have incurred cumulative losses up to 50-90 lakhs within a period of two or three decades. Officials in charge of executing the project at the grassroots level need to be a little more demanding and assertive during supervision. Auditing of accounts needs a little more verification with the functional realities of the unit. What is required is a thorough revamping of the present monitoring and review process of the performance of the project and their constituent units. Feedback of the findings of the reviews should be regularly communicated to the officers concerned and to the societies and strongly insist on initiating immediate remedial measures and report their impact.

Parameters of business management appropriate to assess the performance of coir cooperatives have to be worked out and strictly followed so that protective measures could be initiated in time, in respect of struggling units. The study team feels that the Coir Inspectors ought to have been a little more alert and focused on the performance of each unit, recognize the early signs of sickness and diagnose the causative factors and compel the president and the secretary of the unit to initiate corrective measures then and there. Likewise, the annual audit report of accounts should contain critical comments about the financial management of the unit and give timely warning. The president and the secretary should not hesitate to consult experts in coir business to overcome the crises. Ultimately, the success of the coir sector to a large extent depends upon the drive and missionary zeal of the officials of the Dept. of Coir Development.

5.8 Competition from neighbouring states

This is true. Tamil Nadu is the main competitor. Plantation type of coconut cultivation enables the collection of green husks very easy, unlike the situation in Kerala. Salem, Erode, Polllachi and Kanyakumari districts are noted for high profile cultivation of coconut trees of high-yielding varieties. Production of nuts is very high.

Another advantage of Tamil Nadu (TN) and other states such as Karnataka and Andhra Pradesh is the fast pace of mechanization at every stage of the production process without any hassles. This has increased the quantum of output and reduced the cost of production. Coir fiber could be sold at a price less than that produced through retting and beating. In fact, 70 – 75% of the fiber required by Kerala is brought from TN. Likewise, in spinning also, TN has achieved tremendous progress. Automatic spinning units are abundant in Salem,

Pollachi, Siva ganga, Thanjavur, Kanyakumari, Puthukottai, Velloor, Kadaloor, Erode, Kambam, Theni and Thenkasi (AACC, 2008)

Added to this, there is the advantage (from a business point of view) of comparatively low wages prevalent in TN and the absence of frequent strikes and hartals. Thanks to the strong support given by the Govt. of TN, the Cluster Production Scheme functions successfully in many coir production areas. The message is clear: Kerala has to initiate appropriate steps, with a sense of urgency, to encounter this competition.

5.9 Pith

Experts say that it can be used as organic manure, if it is bio-degraded through well-established process, already available. Pith produced in dry form from the mechanized de-fibering operation has the potential to be used as fuel briquette (KITCO). TN has already taken the lead in this activity.

5.10 Union as the catalyst

It is well-known that the coir industry in Kerala is under the strong grip of powerful trade unions and their leadership. It is obvious that the coir sector is not performing satisfactorily. Even the large coir factories complain of restrictive practices, unwittingly indulged in by a section of workers which prevent the units from attaining optimum utilization of the installed capacity of the machines. Since the union leadership has control over the primary personnel in the coir industry, it is felt that the leadership should take the initiative to play the role of a **strong catalyst** in putting the industry on the right track in collaboration with the efforts of the State and the Central Governments. Merely, pumping in more money and other benefits through various schemes into the sector will not succeed – has not succeeded so far.

5.11 Strategic alliance for marketing

The coir manufacturing and exporting countries should come together and form strategic alliances to meet global challenges and for creating awareness of the bio-degradability and eco-friendliness of coir products among the purchasing nations. To promote this, periodic consultative meetings of these countries could be organized just like the Organisation of the Petroleum Exporting Countries (OPEC). Kerala could take the initial steps with the collaboration of the Central

Government. In fact, the recently concluded Coir Kerala Fair 2016 at Alappuzha is a step in this direction. From being a fair, to becoming a powerful international organization of coir producing countries for mutual benefit is the next step.

5.12 Patent rights and brand name

It is understood that steps are being taken by the National Coir Research and Management Institute (NCRMI) to secure **patent rights** for the coir products and give them a trade mark namely, "**Kerala Coir**". Also, arrangements are being made for setting up a competent agency to ensure the quality of the products especially for those intended for the internal market. In the case of products for international market, already there are arrangements for quality assessment and control. It is hoped that these steps will enhance the sale of products in the domestic market.

5.13 Towards on-line business

It is reported in local newspapers that the Coir Board as per a policy directive from GoI has taken some steps to promote on-line marketing of its coir business and gradually wind-up by 2016, its showrooms and franchisee arrangements all over India. Alternative arrangements for sales have to be made with a sense of urgency so that stocks may not accumulate and block working capital in the production units.

5.14 The workers

Workers are obviously expected to be, the prime beneficiaries in the coir sector. Those who are employed in large and medium factories get fair wages, perks and social security benefits as per law. Even, contract labour is given more or less the same wages without perks.

The question is what could be done to uplift the workers in the cooperative sector, small-scale sector and the household units. Thanks to the generous contributions of the State Government, the daily wage is maintained at Rs. 300 per day but without any perks and pension, largely because of persistent financial loss of many of the units. Which means, **industrial sickness** in these layers need to be addressed on the basis of a comprehensive relief and revival plan based on the norms of modern business management and not liberal

distribution of freebies. The onerous responsibility of developing the business vests with the presidents and the secretaries of the units and they should feel accountable to their workers and their welfare. The fact that there are successful units with financial stability and consistent net incomes even in the existing business situation in Kerala indicates that success in business is possible. These units could serve as role models.

5.15 Conclusion

The overall scenario of the coir industry in Kerala is that, except the large units in and around Alappuzha and Cherthala, others such as coir cooperatives, small-scale units and household units are struggling to exist with problems due to non-management or mismanagement of the enterprise without proper business perspectives, skills and discipline. These units have no control over the prices of raw materials and the prices of finished products. Prices are controlled by powerful private traders and exporters even though there are the Price Purchase Stabilisation Scheme, the Price Purchase Enforcement Scheme and the Grievance Committee. Lack of arrangement for systematic collection of good quality husks and make them available in time to the production units has become a perennial problem. Fiber is brought from Tamil Nadu and sold at prices not affordable to the production units in Kerala which chronically suffer from shortage of working capital.

TN has overtaken Kerala in the matter of mechanization and modernization and poses as a strong competitor to our coir industry. Stiff competition from plastic/rubber products is another threat. Frequent vagaries in the demand for coir products in the international market is also a destabilizing factor.

It must be admitted that the State and the Central Governments had/have been supporting the coir industry through a good number of schemes. In sum, it can be stated that the stability and prosperity of the industry solely depend upon two determining factors – one is to keep the price of raw materials such as husk and the fiber, as low as possible and the other is to maintain a reasonable purchase price for the finished products so that the incomes generated through sales would be sufficient to meet the production cost as well as the administrative cost including reasonable wages, bonus, provident fund, medical insurance premium and gratuity. The study team feels and strongly recommends that the two key players in the coir sector namely, the Federation

of Indian Coir Exporters' Associations and the intermediate private traders alone can stabilize the price of raw materials and the purchase price at a level that can sustain the coir industry as a desirable business in Kerala and sustain the livelihood of about 4 lakhs of families.

Meanwhile, the administration of the various supporting agencies has to be calibrated and focused so that they effectively serve as a protector and a driving force to the industry.

In general, the CVCS, do not function efficiently according to the basic principles and norms of co-operation nor do they function as a self-employment units with the required business perspectives and drive. The State Government has done a "mistake" by becoming a shareholder of the societies. This has prompted the workers, the elected members of the managing committee and the member workers to develop a sense of dependency on the Government. The general expectation is that the State Govt. should be a more liberal share holder with a paternal outlook and should absorb all the losses and debts incurred by the units and pump in more money to keep them alive. One of the frequent demands of the failing/struggling units is that the Government should instruct the District Cooperative Banks and other financing agencies to write off their debts and salvage them with additional capital. As indicated earlier, this "dependency syndrome" has to be discouraged forthwith and insist on developing "business syndrome" so that the CVCS become "independent" income-generating units.

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(See also the list of schemes of GoK and GoI (Appendix F) for the rejuvenation of the coir industry.)

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Appendix – A

Study Team

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2. Sri. Vinod P. Chandran, Research Associate
3. Sri. Manoj P. Chandran, Research Associate
4. Sri. B. Anoop, Research Associate
5. Smt. S. Bindu, Research Associate
6. Prof. (Dr.) D. Muraleedharan (Retd.), Sree Narayana College, Kollam
7. Prof. TSN. Pillai (Retd.), Loyola College of Social Sciences, Thiruvnananthapuram

Appendix – B1

Current Status of the Coir Industry in Kerala: A Critique (2015)

Interview Schedule

for Co-operative Coir/Matting Society

Name of the Society :

Location :

Permanent address :

Correspondence address :

Contact person :

E-mail :

Designation :

Ph. no. :

1. Please state the educational qualifications of the president and the secretary

President	(a)…….	Secretary	(a)……
	(b)……..		(b)……
	(c)……..		(c)……

2. Please state the current status of the society as an enterprise

☐ Successful ☐ Somewhat successful ☐ Not successful

2.1 If not successful, why?

……
…….
……

2.2 If successful, how?

3. Total no. of shareholders in the unit ☐

4. Average no. of workers who work regularly ☐

5. Fixed asset owned by the unit

Item	Owned		Leased	
	Area(cents)	Value Rs.	Area cents	Annual rent Rs.
1	2	3	4	5
a. Land				
b.Building				
c.Plant and machinery				
d.Retting units				
e. Production capacity				

6. Please state the details of unused machinery in the society.

a……

b……

c……

6.1 Why machinery remain unused?

a……

b……

c……

7. Is there any fluctuation in the cost of husk/fibre used for spinning?

☐ Yes ☐ No

8. Please state the purchasing pattern of husk/fibre.

☐ From Tamil Nadu ☐ From Local market

☐ Through retting & beating

9. Source of finance

Source of finance	Amount in rupees
a. Own finance	
b.Bank/financial institutions/ N.C.D.C	
c.Government loan	
d.Government subsidy	
e.Financial assistance from coir board	
f.Others (specify)	

10. Do the society have any financial problem?

☐ Yes ☐ To some extent ☐ No

11. Is there any special scheme of Governmental assistance available to the society during the past two years?

☐ Yes ☐ No

11.1 If yes, mention the details…

Name of Schemes	a. b. c. d.
Year introduced	a. b. c. d.
Which Agency	a. b. c. d.
Purpose	a. b. c. d.
Amount	a. b. c. d.

12. Is there any indebtedness to the society?

☐ Yes ☐ No

13. If yes, Please state the details of your present indebtedness.

a……..

b…….

c…….

14. Manpower employed

Administrative	Total amount paid during the year		
	No	salary	bonus
1	2	3	4
a. Office staff			
b.Other regular salaried workers			

15. Coir workers employed during the year

Coir workers	**Men**	Women	Children
1	**2**	3	4
a.No of mendays			
b.Wages paid-Rs			
c.Bonus paid –Rs			
d.Other emoluments (specify)Rs			

16. Working conditions provided to the employees

Conditions of work place	Put a tick mark	General amenities provided	Put a tick mark	Medical facilities	Yes/no	Health hazards if any (describe)	Remarks
1	2	3	4	5	6	7	8
Light and free air Cleanliness Arrangements for work		Latrine Urinal Drinking water Rest shelter Canteen		 Employer ESI Others			

17. Benefits to the employees

Item	Yes/no	Annual contribution if any Rs.	Remarks
1	3	4	5
Provident Fund			
E.S.I Scheme			
Maternity benefit			
Welfare fund			
Leave with wages			
Holiday wages			
Accident benefits			
Others(specify)			

18. Particulars of employees

Sl. No.	Activity	Average working hours in a day	Total no.of employees	Total mandays during the last year	Total wages paid	Total bonus paid	Total other benefits	Remitted to coir workers welfare board
1	2	3	4	5	6	7	8	9

19. Is there any time lag in collection of proceeds from Coir Fed or Coir Corporation?

☐ Yes ☐ No

20. If yes, how many days/months will take for realizing cash?

☐ 15 days ☐ 15-30 days ☐ 1-2 month ☐ above 2 months

21. Is it manageable?

☐ Yes No

22. If yes, how can you manage the problem of shortage of funds?

a……

b……

c……

23. Do you think that mechanization of coir industry will empower the workers economically?

Yes ☐ No ☐

24. Is there any production target for workers? Yes ☐ ☐ No

25. Is there any need to change the production target after mechanization?

Yes ☐ No ☐

26. Does the society provide any social security measures to coir workers?

Yes ☐ No ☐

27. Are you satisfied with the present wage rate? Yes ☐ No ☐

28. Does coir board take appropriate measures for fixing productivity based wage rate?

Yes ☐ No ☐

29. State wage rate of workers per day or per month?

	Average wage per day (in Rs.)		Average days of employment provided in a year per person	
	Minimum	Maximum	Minimum	Maximum
Male				
Female				

30. Whether state government is giving matching grant in time? Yes ☐ No ☐

31. Have you participated in any exhibition/fairs? Yes ☐ No ☐

32. Do you think that assistance/subsidy is adequate to meet your requirement? Yes ☐ No ☐

33. What measures you can suggest for promoting Coir products in the domestic market?

1) …….
2) …….
3) …….
4) …….
5) …….

Appendix – B2

Current Status of the Coir Industry in Kerala: A Critique (2015)

Interview Schedule

for Household Units

(This is also in the case study format. The investigators are requested to collect maximum data – both quantitative and qualitative from the respondents. For this, put sub-questions on the basis of their responses. Also, examine relevant documents on financial transactions and copy them.)

1. Personal data

    1. Name and address (with phone number):

    2. Whether the respondent is the head of the family?: Yes/No
    3. Sex: M/F
    4. Age: 5. Education:
    6. Main occupation:

2. Family data

Sl. No.	Sex	Relationship with the respondent	Age	Educational status	Occupation, if any	Health status	Remarks
1.							
2.							
3.							
4.							
5.							
6.							
7.							

3. Income Status of the Family

Sl. No.	Particulars	Monthly Income	Seasonal income	Current	
				Savings	Debts
1.	Respondent				
2.	Spouse				
3.	Employed sons & daughters				
4.	Other members				
5.	Other sources like land, rent, business etc				
Total					
Grand Total					

Note: 1. Seasonal income should be calculated for one year.

2. The reasons for debts

4. Living conditions

1. Ration card status: APL/BPL
2. Land owned by the family:
3. Type of house: kacha/packa – small/medium/big
4. Whether the house is owned or rented:
5. Facilities in the house:
    1. No. of rooms excluding kitchen:
    2. Latrine: Yes/No
        2.1 If Yes, type:
    3. Bathroom: Yes/No
    4. Fuel: LPG/Firewood/Stove
    5. Source of drinking water: Well/Water connection/Public tap
    6. Whether electrified: Yes/No
    7. Land phone/Mobile
    8. Furniture:
    9. Refrigerator:
    10. Television/Radio:
    11. Mixie/Grinder
    12. Vehicles: Two wheeler/ autorikshaw/car
    13. Housekeeping: Poor/Just Satisfactory/Good
    14. Premises:
    15. Any other facility worth mentioning:

5. Briefly narrate the origin and development of the coir unit owned by you.

6. Facts and figures about the unit

Sl. No.	Particulars	Responses	Remarks
1	No. of family members working in the unit (male & female)		
2	Anyone from outside		
3	Capital investment		
4	Sources of capital	Savings/loan/subsidy	
5	Whether the production process is purely manual or machines supported		
6	Volume of product output per day		
7	Any scope for increasing the output?		
8	Who is managing the unit?		
9	Whether incomes & expenditures are correctly recorded?		
10	Products		
11	Any complaints regarding the quality of the products		
12	Marketing		
13	Source of raw material (husk/fibre)		
14	Monthly sales turnover (average)		
15	Monthly net income (average)		
16	Monthly net income per head		
17	No. of days of work per month		
18	No. of hours of work per day		
19	Do you maintain the business accounts correctly? (Check the accounts)		
20	Who determines the prices of your products? Have you got any say in that?		
21	Have you received any training in business management?		
22	Whether your family members assist you in work		
23	Whether any health problems due to continuous work (occupational hazards)		
24	Any other relevant matter		

7. **Observe** the work shed, manufacturing process, machines, modern tools used, cleanliness of the work place, storing facilities, furniture, lighting and ventilation etc.

8. Whether a member of any self-help group such as Kudumbashree? Yes/No

   8.1 If Yes, in what way does that help you? Give details.

9. Is there any scope for more mechanization of your unit? Explain in detail.

10. List and explain the difficulties experienced in managing the unit:

    10.1 Do you think that the dubious role of middle men traders in the coir industry is partly responsible for the low income of household/small units?

    10.2 Do you get any help from the Govt. of Kerala in managing the unit? If so, explain in detail.

    10.3 Do you have any plan to enlarge the present unit? If Yes, what is the plan?

    10.4 Your suggestions for overcoming the functional difficulties:

11. Your opinion about the future (prospects) of the coir industry in Kerala:

(Add more questions which you think are relevant to the study.)

Appendix – B3

Current Status of the Coir Industry in Kerala: A Critique (2015)

Interview Guide for Interactive Sessions with the Managements of Large Coir Companies

1. Briefly describe the origin and development of the coir industry in Kerala in general and that of the large coir companies in particular

1a. Details about the decentralization of the coir industries soon after Independence and its outcome

2. It seems that something has gone wrong in the management of the coir cooperative societies in Kerala. If you agree with this statement, please explain with facts and figures. Yours' should be a diagnostic analysis of the coir co-operatives and also your valuable suggestions for reviving the layer.

3. At the IRC meetings, some of your representatives have highlighted your inability to enhance the wages and bonus of the workers in your companies any further. Could you explain the reasons for this ceiling?

4. We understand that some of the major companies have set up branch production units in Tamil Nadu just like proprietors of the cashew industry in Kollam. Please explain the reasons. Do you feel that the "ease of doing business" in Tamil Nadu is comparatively better than that in Kerala? Explain with facts and figures. A write-up would be helpful.

5. Tell us something about the dynamics of the international market for coir and its impact on the industry especially in Kerala.

6. We understand that mechanisation of the coir industry in Kerala is no more a controversial issue. But, the efforts of the State and the Central Governments have not yet succeeded in promoting machinery in the co-operative societies and in the small-scale units. But, mechanization has succeeded in the large coir companies. Please discuss the contradiction.

7. We understand that the State and the Central Governments are not providing you with sufficient support – financially and otherwise. If so, what sort of support do you need from the government to promote your business?

   (Plenty of sub-questions were raised, based on their replies which have enriched the data-base of the study. Sri. John Chacko (Chairman, Federation of Indian Coir Exporters' Association (FICEA) and Member CIRC), Sri. Sajan. B. Nair (Secretary General, Federation of Indian Coir Exporters Association (FICEA) and Member CIRC) have provided us with detailed notes of the needs and problems of coir companies with supportive facts and figures. The study team's visit to three large companies in Alappuzha – Cherthala region provided the opportunity to observe the working of the units, the working conditions and the infrastructural facilities provided for labour)

Appendix – B4

Current Status of the Coir Industry in Kerala: A Critique (2015)

Interview Guide for Interactive Sessions with the Coir Industry Development Agencies such as the Directorate of Coir Development, Coirfed, Coir Corporation and Coir Board

The first step was to collect brochures, pamphlets and booklets regarding the objectives, schemes, administrative structure and activities of the particular institutions in respect of promoting the coir sector. This is to supplement and complement what the internet provided. For, basic information about these institutions is required for developing appropriate topics for interaction.

Coirfed/Coir Corporation

1. Coir co-operatives have complaints about the norms you (Coirfed) follow in fixing the price of coir. According to them, the profit margin allowed is low and you don't take into consideration the frequent increase in the price of husk/fiber.
2. Often there are disputes between the representatives of the co-operatives and your staff (Coirfed & Coir Corporation) regarding the quality of the yarn/products and reduce the price thereby causing cut in the price.
3. Another complaint of the co-operatives and proprietors of small coir units is about the undue delay in disbursing the payment due to them which often blocks their working capital.
4. Do you experience any difficulty in marketing the coir, if its price is increased in order to satisfy the cooperatives and the small units? Do the buyers protest against periodic increase in price?

Directorate of Coir Development

1. Information regarding the various support schemes currently under implementation by your Department
2. We understand that most of the subsidies or benefits are confined to the co-operative societies and not to private, small-scale producers and the household units. Is it true?
3. What according to you are the (negative) factors – internal and external - responsible for the failure of 400 and odd cooperative units? Please explain it, in detail. Likewise, according to your report, there were 164 profit-making units in 2015. What according to you are the positive factors responsible for earning profit?
4. Efforts of the Department to mechanise the co-operatives have not produced the expected results. Why? What are the constraints and how these could be overcome? Do you think that mechanization and modernization of the coir units – both large and small - are absolutely necessary for the development and sustainability of the coir industry in Kerala?
5. During the interactive session, you said that the Directorate does not have correct statistics about the number of small units and the household units in Kerala. Does it mean that they are not provided any support by you?
6. Do you have copies of the major studies on the coir industry in Kerala undertaken by various scholars? Do you make use of the findings and recommendations given in the reports?

Coir Board, Alappuzha Office

1. Please explain the major schemes of the Coir Board under implementation for supporting the small and the household units.
2. Any statistics with you regarding the number of small and the household units in India and in Kerala.
3. Recently, there is an order of the Central Ministry to wind up sales outlets managed by you. Is there any alternate arrangement for marketing the products?
4. The co-operative coir sector in Kerala is not performing satisfactorily. A good number of units are either dysfunctional or under liquidation. As an officer in the Coir Board, what are the negative factors impinging on the

co-operative sector? What could be done to save the sector and activate it?

5. One of the indicators of an economically growing sector is the increase in the number and quantum of new investments. Based on this indicator, what is your opinion about the coir sector in Kerala?
6. We have three coir research institutes – one in Bangalore and the other two in Kerala. Studies on various aspects of coir industry – new products and new machines. We understand that the organized coir companies are capable of absorbing these technologies and products. But, what could be done to help the co-operative societies, small units and the household ones to absorb the technologies and enhance their production, productivity and marketability of the products?

(Plenty of sub-questions were raised, based on their replies which have enriched the data-base of the study.)

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Appendix - C

Coir Sector:
Schemes under the XIIth Five Year Plan (2012 -2017)
(Kerala State Planning Board)

1. Marketing, Publicity Propaganda, Trade Exhibitions and Assistance for Setting up of Showrooms

(Outlay: Rs. 800.00 lakh)

The objective of the scheme is to popularize the activities in the coir sector and strengthening marketing for overall development of the sector. The outlay proposed is for attending and organizing trade fairs at State, National and international level including Coir Kerala. Support to be provided to co-operatives, coir PSUs and other institutions/departments in the coir sector for participation in trade fairs/exhibitions, buyer seller meet, coir mart, popularization of schemely activities, conducting studies, enumeration, documentation of activities, project report preparation, conducting seminars/awareness camps/workshops, giving awards and scholarship in the coir sector, organizing coir day etc.

An amount of Rs. 800 lakh is provided in the budget for 2015-16 for above activities.

2. Market Development Assistance for the Sale of Coir and Coir Products (50% SS)

(Outlay: Rs. 800.00 lakh)

The Government of India substituted Rebate scheme with MDA, at the rate of sales turnover prescribed by the Government of India. The State contributes 50% of the MDA. The provision will be utilized to promote sales of coir and coir products, market development programme etc. as per Government of India norms along with central share. The incentives shall be input output linked for the products of Coirfed, Fomil, Kerala Staate Coir Corporation, Coir co-operatives and others as applicable based on total turnover of respective institution that of the sector as a whole, emplopyment generated and value addition.

An amount Rs. 800.00 lakh is provided in the Budget 2015-16 for meeting 50% State Share for the implementation of the scheme.

3. Coir Geo-Textiles Development Programme

(Outlay: Rs. 30.00 lakh)

The comprehensive Geo Textiles Development Programme is aimed at implementing model projects, inclusion of Geo Texrtiles as a standard engineering material, creation of awareness on Geo-Textiles, strengthening of R&D, and orientation on Geo-Textiles. The assistance can be given to COIRFED, Kerala State Coir Co-operatives, Foam Mattings India Limited, Alapuzha Coir Cluster Devvelopment Society, National Coir Research & Management Institute, Public Works Department, Irrigation Department, Government Institutions and other agencies for implementation of various Geo-textiles activities in their respective areas based on projects with specific outcomes.

An amount of Rs. 30 lakh is provided in the Budget 2015-16 for above activities.

4. Grant for Centers of Research and Development in Coir Technology

(Outlay: Rs. 620.00 lakh)

The scheme intends to undertake R&D activities to improve the coir sector as a whole including enhancing productivity in the sector, bringing innovation in mechanization, creation of diversified coir products with high value addition, infrastructure development, improving facilities and project based expenses of NCRMI.

An amount of Rs. 620 lakh is provided in the Budget 2015-16 for the above activities.

5. Margin Money Loan to Entrepreneurs

(Outlay: Rs. 5.00 lakh)

Small scale units in coir sector will be assisted by providing margin money loan up to 50% as to avail financial assistance from banks/financial institutions, for establishing new industrial units or expansion/diversification/modernization of existing industrial units as per norms. The scheme is intended to attract entrepreneurs for production of value added products in the coir sector based on bankable projects.

An amount of Rs. 5.00 lakh is provided in the Budget 2015-16 for above activities.

6. Regulated Mechanisation of Coir Industry

(Outlay: Rs. 7014.00 lakh)

To meet the global demand for coir products of superior quality and to withstand the price competition from other fibers, it is essential to modernize and enhance the productivity in coir industry. Value projects of co-operative societies, public sector undertakings and other government institutions in the coir sector to modernize, expand, diversify, reorganise and revive their units / factories will be supported under the scheme. Assistance for setting up and modernization of Waste Treatment plants, measures on pollution control, providing infrastructure facilities including modern ratt / spinning / willowing machine, work sheds of coir co-operatives, strengthening quality control mechanism, establishment of common facility service centre, revitalization / expansion / modernization /diversification of defibering mills also come under the purview of the scheme. No working capital support or man power and other related activities is envisaged under the scheme.

Provision can also be utilized for the preliminary works to set up a permanent exhibition and convention centre on a PPP Mode, integrated with the Coir Village of international standards too.

An amount of Rs. 7014.00 lakh is provided in the Budget 2015-16 for the above activities.

7. Training and Management Improvement

(Outlay: Rs. 100.00 lakh)

The scheme intends to provide training to the employees of the Coir Development Department, Coirfed, Kerala Coir Workers Welfare Fund Board and PSUs and other workers in the latest development / research and development innovations in the coir sector including advanced training and skill up-gradation, creation of computer aided designs, modernization of the department by completing computerization based on IT Master Plan, AMC, adding hardware and software, maintenance of website, net connections etc and other e-governance activities including purchase of essential computers and other equipments. Imparting training for society functionaries and workers of coir cooperatives for the better management of the societies including skill up-gradation and entrepreneurship development activities are also included under the scheme.

An amount of Rs. 100.00 lakh is provided in the Budget 2015-16 for the above activities.

8. Production and Marketing Incentive (PMI)

(Outlay: Rs. 500.00 lakh)

The Scheme is for providing assistance to promote production, marketing and exports of coir and coir products including PVC and rubberized coir products and Geo-textiles by the Primary Coir Cooperative Societies, Mats and Matting Co-operative Societies, Apex Societies and Public Sector Undertakings, viz, Kerala State Coir Corporation and Foam Mattings (India) Ltd. To encourage sustained production so as to facilitate sale in coir sector and thereby generate more employment opportunities in the sector. A portion of the amount can be utilized for promotion of marketing heritage products, as well. Assistance shall be based on actual sales turnover of the institutions – input output linked, employment generated, and value added on products. Care should be taken to avoid incentives proposed under MDA Scheme as well as duplication of assistance at various stages in the value chain. An amount of Rs. 500.00 lakh is provided in the Budget 2015-16 for the above activities.

9. Price Fluctuation Fund

(Outlay: Rs. 1500.00 lakh)

Price Fluctuation Fund Scheme is intended to stabilize the price of coir fiber, yarn and coir products. This is aimed to make the COIRFED, FOMIL and KSCC capable to produce / procure the products from co-operatives giving price at par with the production cost and compensates the loss, if any, sustained while selling at market prices. The Co-operative societies, small scale producers and apex organizations will be directly benefited and indirectly benefit the entire coir workers by ensuring statutory wages. The provision can be used for price fluctuation / purchase price stabilization programmes alike. The incentives shall be input-output linked for the materials purchased through COIRFED, KSSC and FOMIL, based on total sales turnovers of the respective institution, that of sector as a whole, employment generated and value added on products. Due care is to taken to avoid duplication of assistance at various stages in the value chain.

An amount of Rs. 1500.00 lakh is provided in the Budget 2015-16 for above activities.

10. Govt. share participation for Coir Cooperatives

(Outlay: Rs. 75.00 lakh)

The scheme intends to strengthen the share capital base of the cooperatives in the coir sector. Existing societies which have not availed the eligible amount in full can also avail the assistance. It is proposed to assist 50 societies under the scheme based on clear cut viable proposals for modernization/diversification with specific outcomes.

An amount of Rs. 75.00 lakh is provided in the Budget 2015-16 for the above activities.

11. Cluster development programme in coir sector

(Outlay: Rs. 150.00 lakh)

Cluster development programme in Coir sector is being implemented by Coir Board under the Scheme of Fund for Regeneration of traditional Industries (SFURTI). Clusters can be formed as per norms and avail the central assistance based on projects for which a state share of Rs. 150 lakh is provided.

An amount of Rs. 150 lakh is provided in the Budget 2015-16 for the above activities.

12. Construction of building for Coir Bhavan

(Outlay: Rs. 100.00 lakh)

The scheme is intended for the completion of office building (Coir Bhavan) and other facilities to make the office fully functional. A portion of the amount can also be utilized for the work in connection with the construction of a building for Alapuzha Coir Project Office.

An amount of Rs. 100.00 lakh is provided in the Budget 2015-16 for the scheme.

Appendix D

Innovation in Coir Products

1. Coir composites as wood substitute

The R&D efforts of the Coir Board of India were successful in developing a coir composite that can substitute wood, plywood and MDF boards. The composites are made out of a combination of two or more materials to achieve superior properties than that of its components. Here coir fiber and phenolic resoles are used to make the ply of any desired density. Based on the density the ply can replace plastic boards, MDF boards, or hard board made out of wood. The coir ply can be reinforced with plantation wood like rubber wood veneer, for better properties and without destroying natural forests. They are resistant to termite and borer attacks , flame retardant boiling water resistant, and free from fungal growth . The nail holding properties are better than MDF, because of the long staple and normal carpentry tools are good enough to work with. The coir ply has been standardized under BIS (IS: 14842-2000). It has obtained necessary approvals for use in the Indian Railway , Defence, CPWD, State Road Transport Undertakings , HUDCO, Rajive Gandhi Rural Housing Corporation, State Housing agencies , etc . This technology is now available for commercial exploitation. Once it becomes popular , its contribution to save the tropical forest timber would be phenomenal. It is contribution to save the tropical forest timber would be phenomenal. Its contribution to save the tropical forest timber would be phenomenal. It is estimated that 40 cubic meters of coir ply can save about 26.4.ha of forest per annum form deforestation, assuming 250 trees per ha and each tree producing 1.80 cubic meters of wood.

2. Coir as packaging material

Another R&D project of the Coir Board in collaboration with the Indian Institute of Packaging, Mumbai has developed alternative to conventional wood based packing material for various applications. Crates made out of coir composite board for heavy equipments like circuit breakers, Lids for fiber drums and collapsible reusable containers replacing plywood are come of the very exciting products developed under this project. They are superior in quality compared to commercial plywood, MDF board etc. and are very cost competitive. Tests and trials of these products have been successful. This

technology is also now available for commercial exploitation.

Notwithstanding these achievements, the R&D efforts in the field of coir fiber composites are still in its infancy. Substantial work is yet to be done in product innovation and diversification especially to make it totally ecofriendly by using biodegradable polymer as binding material and to reduce cost of production. There are several other exciting opportunities for coir composites in the field of automobile interiors like door panels , packaging industry , household articles like trays , plates, etc for materials like crates, pallets corrugated containers , etc . However , it is their mechanical reliability , durability, recycleability, end of the life disposability and above all cost effectiveness that determine the preference for use of coir composites. The lack of awareness about the advantages of the product, reluctance of contractors and carpenters to use it , non-availability of a critical mass of these products in the market are some of the obstacles on their way to getting popularized wit h the potential consumers.

3. Coir bhoovastra

Another non-conventional product from the coir industry is the Coir Bhuoovastra or Coir Geotextiles commonly being used in soil bioengineering applications . One of the major ecological threats that the world faces today is soil erosion, particularly of the topsoil . The fertile , roughly 30cm thick topsoil is what sustains life and civilizations on earth. About 36% of the worlds cropland is losing topsoil at an alarming speed , threatening the food security of several countries. The developing countries are the worst affected. It takes thousands of years to form the thin layer of surface soil but needs only a few minutes to lose it through erosion caused either by water or wind or mindless human interferences. About 27% of the land surface of our country is facing threat of one or another form of soil erosion. Left unchecked , it can convert precious cropland into barren wasteland. Deforestation is one major factor contributing to soil erosion. The most eco-friendly method of erosion control is through revegetation preferably using a natural geotextile. The Coir Bhoovastra as long term biodegradable geotextile for soil bioengineering and bioremediation applications has been well acknowledged. The coir geotextile are available in woven or non-woven form as meshes, needled felt, pads, Erosion Control Blankets (ECBs), geo-rolls, antiweed blankets etc. The permeable fabric is easy to install and flows the contours of the soil surface It is particularly useful for uneven and rocky terrains. It can be used as an overlay for surface protection or as an interlay for separation, filtration and drainage. It protects the soil surface and promotes growth of vegetation during its

formative stage. It can dissipate energy of flowing water and absorb solar radiation. The woven mesh hugging on to the surface acts like micro check dams retaining moisture for the seeds to germinate and the saplings to take root both in terrestrial and aquatic riparian habitat. Depending on the terrain, weather condition, type of yarn used and the quality of the fabric, product life varies from one to three years. In underwater applications it may extend up to five years or even more. Thereafter it degrades into a mulch and get incorporated in the soil , which gives it an edge over the synthetic geotextiles. Coir Bhoovastra has a variety of applications as in soil stabilization, slope stabilization watercourse protection stream bank protection, shoreline protection, storm water channeling, road pavement, road surface stabilization, fly ash dump protection, mine site reclamation, forest re-vegetation, watershed management, mud wall reinforcement ,landscaping etc. But the sad part is that while several countries abroad have recognized its worth as proven by the increasing exports, it is yet to find its legitimate place in our own country.

Coir Geotextiles are used as woven fabrics . non-woven , stitched blankets etc. for various soil bioengineering applications. According to an estimate , the world market demand for geotextiles is about 1400 million sq. meters and is growing steadily . It is in fact an engineering material and it requires a technology based promotion strategy . The characteristics of specific erosion protection selection of suitable technology and testing of materials like coir geofabric, seeds, saplings, etc are all relevant for a successful technology based promotion of coir geotextiles. The growing awareness about the need for protecting soil, in the developed and developing countries is a welcome sign With a new Farm Policy pruning of agricultural subsidies, replacing it with a technical assistance programme for water and soil conservation, and new norms under NPDES Phase ll in the USA the demand for geotextiles is bound to increase. This opportunity has to be harnessed. The coir geotextile producing countries can jointly embark on generic promotion of the product in a mutually beneficial manner . The vast market for long term biodegradable geotextile which is legitimately that of coir , should be exploited through cooperative efforts . This would enable bulk utilization of raw-materials and generation of new employment opportunities particularly in the rural areas preventing migration of workforce to urban centers.

4. Rubberized coir and needled felt

A CFC/ITC study held in mid 90s has identified coir needled felt, geotextiles and coir pith as products with good export promotion. mattresses,

packaging material, acoustic and insulation material, besides its use as geotextiles. The annual value of global sales of rubberized coir is estimated to be over US $ 500 million . Coir needled felt is being used as mattress material plant liners, insulation pads, geotextiles garden articles and even as an organic mulch. The restriction imposed on use of polyurethane in U.K. and enforcement of stringent fire retardance elsewhere in Europe, offers scope for exporting rubberized coir . But this scope is conditioned by its price competitiveness. The lose of market suffered by the European and Japanese car seat manufacturers using rubberized coir , on account of high cost of production can possibly be regained if rubberized coir producers of India and Sri Lanka can step in with quality products at competitive prices.

5. Coir Pith

The coir pith or coir dust , which is the spongy residual material , is the by-product of fiber extraction which has caught the imagination of the horticulturists. It has immense potential as a soil conditioner and moisture-retaining medium for horticultural applications. It is widely being used in nurseries as a plant grow out medium especially in hydroponics. Its demand is on the increase due to the restrictions being imposed on mining of peat moss. With quality assurance, the product can find a ready market , either as such or as composted material. But the potential end users are not fully aware of its advantages , and the promotional efforts have not been adequate . There is dearth of testing facilities and recognized certification agencies in the producer countries. Other garden articles like plant liners , baskets, grow bags, shredded husks, and bit fibers are also in demand for orchid and other cut flower cultivation in the large and growing Market Garden sector

(Christy Fernandez, Former Chairman, Coir Board)

Appendix E

Evaluation Study of Domestic Market Development Assistance Scheme implemented by Coir Board (2008)

By APITCO Ltd. Engineering Growth

Domestic Market Development Assistance Scheme implemented by Coir Board

The Ministry of Micro, Small and Medium Enterprises (MSME), Government of India has been implementing a scheme namely Domestic Market Development Assistance Scheme (DMDA) through Coir Board since 2000-2001 for domestic market development. Under this scheme, the Government provided financial assistance @ 10 per cent of the annual sales turnover to the apex co-operative societies, manufacturing societies, state-owned coir development agencies/ showrooms/ sales depots of the Board. The burden of the assistance is shared equally by the Central Government and the concerned state government. The Ministry (MSME) awarded the evaluation study of the DMDA Scheme to APITCO. The grant or assistance under DMDA has to be utilized for the following purposes:

- To promote the sale of coir products manufactured by co-operatives and Public Sector Enterprises committed to payment of minimum wages and other obligatory benefits to coir workers.

- To encourage sustained production and more employment opportunities, especially in the co-operative sector of the coir industry.

- To provide financial support on a continuing basis around the year to the co-operative and public sector enterprises who undertake market development programmes such as setting up sales network, publicity, participation in exhibitions etc.

The main objectives of the study are to:

- **Evaluate the existing system of implementation** of the scheme including the laid down criteria for selection of beneficiaries and average time taken at each stage of processing the proposal leading to actual

disbursement of MDA to the beneficiaries through the State Governments.

- Assess the **adequacy of the assistance** provided under the scheme and examine whether it is being utilized by the beneficiaries for the purposes enshrined under the guidelines of the scheme.
- Assess the **impact of the Market Development Assistance** provided to the beneficiary organizations through State Government in terms of the extent of development of domestic market of coir and coir products.
- **Identify the thrust areas** for which the Coir Board is required to focus its attention in the short, medium and long term to meet with the competition from synthetic products in the domestic market.
- Assess the **impact of the exhibitions** organized by Coir Board or Board's participation in exhibitions organized by other agencies in the promotion of coir and coir products in domestic market in terms of increase in sales and suggest measures for improving the effectiveness of the participation in the exhibition for promoting coir materials in the domestic market.
- Assess whether the amount spent on participation in exhibitions is commensurate with the quantum of sales generated during and after the exhibitions.
- Assess the functioning of the Showrooms & Sales Depots of Coir Board and sales outlets of other Government - sponsored organizations with a view to suggesting specific areas for improvement and promoting sales of coir products in the domestic market.

Concluding observations and recommendations

The evaluation study on Domestic Market Development Assistance (DMDA) scheme implemented by Coir Board was carried out as per the terms of reference indicated by the Ministry of MSME, Government of India. Based on the analysis of the field survey concluding main observations and suggestions for the improvement of the scheme are detailed below:

Main Observations of the evaluation study

a) Impact

- The implementation of DMDA Scheme was found to be helpful but not effective to Coir Board, Apex societies or primary co-operative societies

in view of limitations of specific purposes of utilization as per norms stipulated by the MSME, Government of India.

- All the beneficiaries and agencies including Coir Board suggested to make modifications in the scheme.

b) Adequacy

- About 77% of the total respondents felt that the assistance provided under the scheme is inadequate. Though beneficiaries availed 10% assistance, they did not have proper awareness of the guidelines of the scheme. The State agencies and directorates expressed that implementation of the guidelines for envisaged activities by the primary societies are not practicable. It is also noted that majority of the Primary Coir Co-operative societies are selling the products to the Apex societies and availing the grant. The specific purposes of the scheme i.e. publication, innovations, showrooms etc, are not properly implemented. The apex bodies are not effectively focusing these components.
- Majority of the respondents suggested to increasing the DMDA Assistance from the existing 10% to 20% financial assistance based on annual sales turnover of previous year instead of average of sales turnover of last three years.

c) Selection of Beneficiaries

- There is no specific criterion for selection of beneficiaries under the scheme as all societies are eligible based on the average sales performance of the previous three years subject to submission of required documents to the State Directorate. However, the number of societies claimed DMDA are below 50% of the total societies in co-operative sector.
- It is observed that exclusive fiber manufacturing societies are not availing the assistance under DMDA scheme

d) Time taken for sanction & disbursement

- The average time taken for sanction and disbursement from the date of submission of application ranging from 3-6 months in all the states. Depending on the availability of funds, the state governments are making the disbursement of the grants in one or two installments before close of the financial year. Whenever, the claim was more than the

allocation of grant to the state, the release of arrears is nominally taking more time and accordingly disbursement was also delayed.

e) Usefulness of the scheme

- More than 80% of the societies expressed that scheme is useful and their sales increased on an average. About 40% of growth rate was envisaged in sales during the last six years at the rate of 7% per annum on an average.

f) Competition from synthetic products

- Coir products are facing stiff competition with synthetic products in view of the price advantage, durability and customer acceptance.

g) Participation in exhibitions

- Coir Board and other implementing agencies have been participating in exhibitions extensively in different parts of the country. It helped only the purpose of the demonstration of the products and creation of awareness. The participation in exhibitions is not effectively made for increasing the sales. Strategic approach is required to increase sales. In the case of cooperative societies, participation in exhibition with the support or Coir Board, helped them to increase the sales.
- It is generally observed that amount spent on participation in exhibitions is not commensurate with the quantities of sales during the exhibition by Coir Board.

h) Status of sales showrooms

The sales showrooms of either Coir Board or state agencies could not achieve their sales targets except few showrooms of Coir Board.

a. It is normally found that the majority of sales outlets are in non-commercial areas. Their ambiance is poor and infrastructure facilities are not adequate
b. Ineffective domestic sales
c. No strategy for marketing
d. No effective schemes for inspiring customer satisfaction
e. Lack of proper product display

f. Poor interior decoration

i. Employable days and minimum wage

- The average employable days are only 215 days and minimum wage is around Rs. 78 for men and women.
- It is also observed that about 35% of the members of the society are getting employment which needs to be addressed

Appendix F

Schemes of the Governments (GoK & GoI) for the Promotion of Coir Industry in Kerala

A. Govt. of India schemes for Coir industry

Coir Beneficiary Schemes

Coir Board is a statutory body established by the Government of India under a legislation enacted by the Parliament namely Coir Industry Act 1953 (45 of 1953) for the promotion and development of Coir Industry in India as a whole. Coir Board is the nodal central government agency promoting the development of Coir Sector in the country. Coir Board has established five regional offices at Bangalore, Bhuvaneswar, Thiruvananthapuram, Pollachi, Rajamundry. There are five sub-regional offices at Kannur, Sivagangai, Guwahati, Kolkatta, and Thanjavur.

Following are the major Coir Beneficiary Schemes.

Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

Planning Commission's Working Group on XII Plan has recommended continuation of SFURTI with its existing components like: replacement of equipments, setting up of common facilities, support for development of new products, designs, packaging, market promotion, capacity building activities, etc. It has also been recommended that a number of KVI schemes hitherto being implemented by KVIC in Khadi and Village Industries sectors with similar or overlapping objectives, be merged in SFURTI and give flexibility to Implementing Agencies to choose their own basket of components as per need. Thus the following schemes are being merged into SFURTI: The Scheme for Enhancing Productivity and Competitiveness of Khadi Industry and Artisans, the Scheme for Product Development, Design Intervention and Packaging (PRODIP), the Scheme for Rural Industries Service Center (RISC) and other small interventions like Ready Warp Units, Ready to Wear Mission, etc run by KVIC during XI Plan from Khadi Grants and VI Grants. 1.7. Despite the success of the SFURTI scheme, an independent evaluation of the SFURTI clusters highlighted the need to improve the sustainability and competitiveness of these clusters. The recommendations include enhanced allocation

per cluster, increased responsibility of the Technical Agencies (TAs), critical financial appraisal and development of robust business plans and convergence of programs at the cluster level. 1.8. As mentioned in the Budget announcement made by Finance Minister for 2013-14, 800 clusters of khadi, village industries and coir are to be developed during XII Plan with an outlay of Rs 850 crore to cover 4 (four) lakh artisans. Assistance from Multilateral Development Banks is also to be leveraged, to extend support under SFURTI to 800 clusters during the XII Plan.

Coir Udyami Yojana(CUY)

Description	This is a credit linked subsidy scheme for setting up of coir units with project cost upto Rs.10 lakhs plus one cycle of working capital, which shall not exceed 25% of the project cost. Working capital will not be considered for subsidy.
Nature of Assistance	Maximum admissible cost of the project is 10 lakhs plus working capital, which shall not exceed 25% of the project cost. 1.Beneficiary's contribution 5% of the project cost 2.Bank credit 55%. 3.Rate of Subsidy 40% of the project
Who can Apply?	Individuals, Companies, Self Help Groups,Non Governmental Organizations, Institutions registered under Societies Registration Act 1860, Production Co-operative Societies, Joint Liability Groups and Charitable Trust,
How to Apply?	Click on Apply Now button to Apply Online Or the applications can be collected from Coir Board Offices, District Industries Centres, Coir Project Offices, Panchayati Raj Institutions and the Nodal Agencies approved by the Board for this purpose and have to be submitted directly to the Coir Board Field Offices or through the DICs.

CUY Marketing Assistance

Description	With a view to provide handholding support towards the marketing efforts of the CUY beneficiaries Assistance will be given to establish a marketing consortium.
Nature of Assistance	1.Establishing Marketing consortium 2.Participation In Fairs/Exhibitions

	3.Hiring Spaces in the Showrooms 4.Hiring Premises for office 5.Reimbursement of salary of consortium employees
Who can Apply?	Consortium with CUY beneficiaries as Members.
How to Apply?	Click on Apply Now button to Apply Online.

Export Market Promotion Scheme

MARKET PROMOTION' IS to expand the share of Indian coir products in global market; to assess main competitors, product ranges, price, general setting and promotional strategies; to motivate distribution channels to promote coir products; to assess tariff/non tariff barriers on coir vis-a-vis competing products and pursue possible their elimination/reduction through bilateral negotiations; to engage consultancy services/professional agents for specific assignments/ projects relating to export promotion; to seek expert and professional advice on export related matters, foreign trade, etc.; and to hold trade talks with decision makers in Governments/Chambers of Commerce & Industry, market/ distribution network and vendor development mechanisms. The activities to be undertaken under this component of the scheme are Participation in the annual conference of International Erosion Control Association (IECA).,Participation in the inter-session meetings of Inter Governmental Group on Hard Fibers of FAO., Participation in the global conferences of other related international agencies. Organize and host international seminars for promoting exports.

Domestic Market Promotion Scheme

The Market Development Assistance Scheme has been introduced by the Coir Board w.e.f. 2000-2001 in lieu of the Rebate Scheme that was in operation in the Coir Sector till 1999-2000. The MDA is linked with the sales performance of the concerned beneficiary organization and aims at providing incentives for better performance.

Development of Production Infrastructure Scheme

The principal thrust of the Development of Production Infrastructure Scheme of the

Ministry of MSME being implemented through the Coir Board, a statutory body under the administrative control of Ministry of MSME, is on development of infrastructure for the sustainable development of coir sector. The scheme envisages provision of financial assistance for setting up new coir units and modernization of existing units for the sustainable growth of the coir sector. Due to the extension of coconut cultivation to non-traditional coconut producing states, coir industry also expanded its activities to such states with the assistance of the Coir Board for development of infrastructure for setting of coir units. The scheme is in operation since 7th Five Year Plan. Under the existing scheme, financial assistance was being provided to coir production units at the rate of 25% of the cost of equipment and infrastructure facilities subject to maximum of Rs.1.5 lakh for new units and Rs.50,000 for modernization of existing units. In the case of units producing multiple items, the maximum amount of subsidy admissible is Rs.5 lakh. The existing parameters of the financial assistance under the scheme continued during the first two years of XI Plan. The export oriented coir sector is investing on development of infrastructure for the production of high valued coir products of international standard by importing coir processing machinery to match the production process in importing countries. The equipment which were so far considered for financial assistance under the scheme have since become obsolete in terms of low productivity and high labour orientation. It was, therefore, felt necessary to revise the financial norms of the assistance under the scheme. The scheme was got evaluated through an independent agency. Keeping in view the recommendations of the evaluating agency and all related factors, various parameters of the scheme have been revamped to achieve the objectives of higher productivity, modernization, technology up-gradation, cost efficiencies and competitiveness of the Coir sector.

Skill Up-gradation and Quality Improvement Scheme

The Coir Industry is a labour intensive and export oriented industry employing more than 6.5 lakh persons. The decentralized operations in the coir industry without adequate training of spinners and weavers have been posing problems particularly for ensuring the desired level of quality in the ultimate products. Inferior quality may ultimately turnout to be detrimental to the concerted efforts towards overall development of the industry and also its survival, particularly it being a traditional product, in the present context of unprecedented competition on account of cheap synthetic substitutes, globalization and liberalization. Skill development is, therefore, the most essential pre-requisite for the overall development of the industry and to accelerate the spread of the industry into non-traditional areas. Development of skilled manpower in coir industry through appropriate training programmes is one of the major activities of the Coir Board. Continuous improvement in the quality of certain products is

essential to sustain the demand for coir products and also for improvement in prospects of coir products in a world, which is becoming more and more quality conscious. In order to achieve the above objectives, the Board has been organizing, quality improvement camps and entrepreneurship development programmes.

Personal Accident Insurance Scheme for Coir workers

Coir Industry is a traditional cottage industry employing more than 6.5 lakh coir workers of which 80% are women and belong to the poorest sections of the society. The coir processing activities such as extraction of fibre, spinning of coir yarn, manufacture of rope and finished products involve drudgery, strain and hardship. Basic amenities of life are very often not available in this sector and the people are unable to find their own resources to acquire such facilities. Though mechanization / modernization are taking place in some sectors of the industry, the fibre extraction in white fibre sector is still being undertaken manually under different working conditions. The coir workers engaged in the extraction of fibre with the aid of machinery like crusher, disintegrator, defibering machine, decorticating machine, spinning on motorized ratt and fully automatic machine, and manufacture of products on looms etc, are prone to minor and major accidents. In the background of demands for limited resources from various interests, it is essential to implement a developmental scheme for the benefit of marginalized group like coir workers. Because of the economic backwardness, coir workers are not in a position to get them covered under any insurance scheme for securing their life against accident/accidental death. It was in 1998 that the Coir Board Coir Workers Group Personal Accident Insurance Scheme was first introduced in coir sector to secure the life of coir workers against accidents. The scheme has been got evaluated through an independent agency and based on its recommendations and other factors, the scheme is proposed to be continued during XI plan. The Group Personal Accident Insurance Scheme for Coir Workers is aimed at providing insurance coverage against accidental death, permanent total disability and permanent partial disability to the coir workers in all coir producing states in India.

Rejuvenation, Modernization and Technology Up-gradation Scheme

Government of India has approved a new credit linked subsidy scheme called Rejuvenation, Modernization and Technology Up-gradation of the Coir Industry to facilitate sustainable development of the Coir Industry in the country which in turn generate more employment opportunities especially for women and the weaker sections of people in rural areas. CUY Scheme will be a Central Sector Scheme to be administered by the Ministry of Micro, Small and Medium Enterprises. The Scheme will

be implemented by Coir Board a statutory organization under the Ministry of MSME as the Nodal Agency at the national level. At State level the scheme will be implemented through Board's Regional Offices, Sub Regional Offices, Coir Mark Scheme Office and District Industries Centres, Coir Project Offices, Banks and such other offices from time to time. The Government subsidy under the scheme released to Coir Board will be routed through the identified banks for the eventual distribution to the beneficiaries/entrepreneurs in their bank accounts. The Implementing Agencies viz. Coir Board Offices, DIC, Coir Project Offices etc will associate with reputed Non Governmental Organizations (NGOs)/reputed Autonomous Institutions/National Small Industries Corporation/Panchayathi Raj Institutions and other relevant bodies in the implementation of the Scheme especially in the area of identification of beneficiaries, area of specific viable projects and providing training in Entrepreneurship Development, verification of units established under the Scheme.

B. Govt. of Kerala schemes for Coir industry

Kerala Govt Subsidy/Grant Schemes for coir sector recommended by the Coir Commission				
Sl No	**Name of the Scheme**	**Details of the scheme**	**Amount allowed**	**Beneficiary**
1.	Mktg,Publicity,Propoganda	For attending trade fairs/ exhibitions, set up showrooms for develop coir products markets Grant up to Rs. 1 lakh for setting show rooms in places approved by Director of Coir Development	. 1.5. crores	Fomil, Coirfed, KSCC, eligible reimburse @ 50% of the cost. Coop societies are also eligible for this scheme.
2	Grant to enable Kerala Coir Workers Welfare Fund Board to implement various welfare schemes	Granting pension 10.5 cr Other Grants etc 2cr Old age home 0.5 cr	13 crores	Coir workers- appx 45000
3.	Coir Geo-textiles Development Programme	implementing pilot projects, inclusion of Geotextiles as a standard engineering material, strengthening of R&D and marketing efforts with product specified MDA packages	25 lakhs	Coirfed, K S C C, FOMIL, ACCDS, NCRMI, PWD, Irrigation, KSEB and other Government Institutions
4.	Regulated Mechanization	Provide assistance @ 50%	10 crores	Co-op societies,

	of Coir Industry	subsidy to the, who modernize their factory for acquiring high productivity semi automatic looms. procuring computer with software for computer aided designs. Special investment subsidy from this provision to mechanized defibering mills established by entrepreneurs @ 50% of the fixed capital investment, subject to maximum Rs. 10.00 lakh.		individuals and PSU
5.	Training and Managmt Improvement	Provide training in the latest development/ research and development innovations in the Coir Sector. including purchase of essential computers and other equipments, conducting EDPs for starting and sustain ventures	75 lakhs	staff of Coir Development Department, Coirfed, Kerala Coir W W FB and PSUs
6.	Infrastructure Development for Co-operatives	Provide financial support for developing infrastructure facilities for attracting coir industries in co-operatives. Co-operatives/P S U having land are eligible Also can utilize for purpose of common facility service centres .	2.50 crores	100 Co-operatives/ 2 P S U s and defunct ICDP units
7.	Production and Marketing Incentive (PMI)	financial assistance to promote production and marketing of coir products, rubberized coir, Geotextiles	2 crores	Primary co-op Societies, Mats and Mattings Societies, PSU s
8.	Establishment of Defibering Mills	Establish Defibering Mills and produce coir fibre in the State revive/renovate the existing Defibering Mills, incentives/subsidies for husk collection scheme	10 crores 6-husk collection, 3-estblsht of 25 D F Mills . 1-renvatn existing 30 D F mills	workers' co-op /Kudumbasree units

9.	Revitalization of Coir Co-operative Societies	Revitalization of Coir Co-operatives by providing fixed capital and working capital assistance, settling pension/gratuity/share/thrift clear the liabilities and to improve its health	7.09 crores	Running/defunct/closed but revivable coop Societies, Mats & Mattings Societies and SS Producers Co-operatives, DF Mill Co-operative Societies
10.	Price Fluctuation Fund	stabilize the price of coir fibre, yarn and coir products Aimed strengthen Coirfed,KSCC capable to produce the products giving price at par with the production cost and compensate the loss, sustained while selling at market prices.	10 crores	Co-op societies.SS producers and apex organization
11.	Kerala Coir marketing Consortium/ Marketing Company	Establish Kerala Coir Marketing Consortium. by utilizing the investments of all stake holders including PSUs/Coirfed/Co-operatives in coir sector/small scale producers/private entrepreneurs etc	2 crores	Coir sector
12.	Market Development Assistance for sale of Coir Products	At 10% of annual turnover (an average of three years). Utilized to promote sales of coir and coir products,, identify new markets hire marketing professionals	6 crores 3 - State 3 - Central	Result oriented. 40 Co-operative CM & MC Societies and other institutions like Coirfed and 2 PSUs
13.	Margin Money Loan to Entrepreneurs	Providing margin money loan up to 50%, so as to avail margin for financial assistance from banks/financial institutions, for establishing new industrial units or expansion/ diversification of existing industrial units. Also for meeting the Margin Money Loan requirement of cluster consortia in coir sector	10 lakhs limited to 2.50 lakh per unit	Small Scale producers
14.	Government share participation for Coir Co-operatives	Strengthen the share capital base of the Co-operatives in the Coir Sector	50.lakh	25 societies

15.	Cluster development programme	State share of 2crores provided for meeting all types of cluster development projects approved by the Government of India.- for SFRUTI and IIUS	2crores	Coir sector
16.	Employee Welfare Scheme (New Scheme)	measures for improving the conditions of employees, working in the co-operative societies of Coir sector	50 lakhs	Coir Workers

Appendix G

Coir Kerala 2016

Coir Kerala 2016 is the sixth edition of the world's biggest annual trade event on coir and natural fibres. The five-day event will bring together scientists, researchers and policymakers and facilitate discussions of strategies and new initiatives to create jobs, better the conditions of coir workers, as also raise productivity and earnings across the industry, state Minister for Revenue and Coir Adoor Prakash told reporters here today.

"Following the announcement at last year's Coir Kerala to accelerate coir husk procurement, production rose from 25,000 tonnes to 60,000 tonnes," he said.

"The government is targeting 75,000 tonnes by the end of this fiscal year," he said.

Noting that "the required value for self-sustainability in coir fibre production is 2.25 metric tonne," he added that the government had taken steps to ramp up production.

"The government has distributed Rs 4.5 crore among co-operative sectors and earmarked Rs 5.5 crore to the Coir corporation's purchase price stabilisation scheme," the minister said. Coir Kerala is also a showcase for an array of innovative coir products and technologies to increase sector productivity and profitability.

The international pavilion will have 125 stalls while the national pavilion will feature 135 stalls. The Government of Kerala initiated the Coir Kerala programme in 2011 to rejuvenate the coir sector through fillips to production and branding. Thiruvananthapuram-based National Coir Research and Management Institute is the event's coordinating agency.

Appendix - H

India's Export of Coir and Coir Products from 1995-96 to 2014-15

(Four Tables)

Qty in Tons **Value in Rs. Lakhs**

Sl.No.	Items	1995-96		1996-97		1997-998		1998-99		1999-2000	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
1	Coir Fibre	303	27.09	337.00	49.59	243.00	27.93	646.00	91.46	809.88	117.16
2	Coir Yarn	14839	3434.48	13645.00	3263.18	15889.00	4123.65	16539.00	4827.41	13052.59	3738.39
3	H L Mats	20338	10131.77	21091.00	11396.68	21039.00	12467.03	21943.00	14878.52	24292.92	15688.71
4	P L Mat									1042.61	699.12
5	Tufted Mat									1567.70	793.77
6	H L Matting	7591	4621.28	6578.00	4126.05	7107.00	4650.02	6571.00	4729.86	6238.58	4338.55
7	P L Matting									531.36	395.05
8	Geo textiles	474	167.8	361.00	149.46	739.00	313.31	1208.00	546.91	1711.25	808.41
9	Rugs & Carpets	2818	1867.91	2306.00	1705.15	1957.00	1441.55	2934.00	2300.56	2889.64	2259.62
10	Coir Rope	121	26.27	78.00	21.68	92.00	24.51	211.00	59.25	286.63	73.41
11	Curled Coir	1156	112.89	715.00	85.94	642.00	80.33	445.00	76.38	657.28	114.57
12	Rubberised Coir	174	113.4	212.00	152.32	288.00	234.12	573.00	427.01	522.88	387.52
13	Coir pith	109	5.39	468.00	51.69	755.00	87.76	2216.00	251.26	6501.59	562.77
14	Coir Other Sorts	353	176.36	578.00	256.52	1099.00	442.69	2204.00	1030.26	925.98	328.30
	TOTAL	**48276**	**20684.64**	**46369.00**	**21258.26**	**49850.00**	**23892.90**	**55490.00**	**29218.88**	**61030.89**	**30305.35**

(Contd.)

Sl.No.	Items	2000-01		2001-02		2002-03		2003-04		2004-05	
		Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
1	Coir Fibre	1053.98	148.17	1010.30	122.15	1036.87	103.81	1120.75	142.44	1350.45	186.03
2	Coir Yarn	14607.30	4187.50	13206.90	3728.59	11482.47	2996.76	12364.43	3498.71	10987.60	3358.16
3	H L Mats	24716.44	15917.69	26147.89	17009.85	33058.75	20711.79	36303.99	22133.69	40127.35	25129.27
4	P L Mat	606.97	442.72	686.50	458.19	954.85	585.52	1026.28	672.13	1433.22	931.16
5	Tufted Mat	3835.64	2104.17	7129.54	4112.38	6429.03	3434.71	11772.50	6359.52	16502.26	9499.05
6	H L Matting	6323.37	4287.86	4423.27	2921.04	4772.62	3191.44	4545.56	2838.66	3518.90	2334.04
7	P L Matting	410.71	284.04	274.04	226.10	183.18	111.79	309.04	215.44	188.94	138.92
8	Geo textiles	1402.29	625.38	1752.05	780.13	2140.69	985.23	2599.54	1184.74	2323.20	1049.75
9	Rugs & Carpets	2720.44	1958.64	1329.97	1039.76	1327.08	932.42	1694.56	1071.36	1727.33	1002.64
10	Coir Rope	482.12	145.21	348.64	108.04	332.40	102.05	308.88	111.46	299.67	116.91
11	Curled Coir	533.57	80.33	572.53	80.63	492.37	80.05	76.54	14.02	69.00	11.97
12	Rubberised Coir	385.06	267.24	454.64	350.38	535.22	403.43	461.78	334.67	475.92	340.57
13	Coir pith	9926.97	752.79	13725.65	1014.30	21064.20	1493.01	29179.35	1975.92	43420.54	3042.40
14	Coir Other Sorts	488.23	164.48	272.91	106.82	372.85	138.56	490.21	196.90	502.41	199.38
	TOTAL	**67493.08**	**31366.23**	**71334.81**	**32058.35**	**84182.58**	**35270.57**	**102253.40**	**40749.67**	**122926.79**	**47340.25**

(Contd.)

Sl.No.	Items	**2005-06**		2006-07		2007-08		2008-09		2009-10	
		Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
1	Coir Fibre	1552.98	196.05	9356.54	1075.80	11101.64	1224.14	14554.69	1837.65	73074.93	9742.03
2	Coir Yarn	9582.52	3019.00	9691.17	3161.57	8407.09	2666.90	5335.09	1925.92	6108.35	2461.21
3	H L Mats	42516.42	26698.73	42986.07	27370.67	40917.35	24299.85	35553.43	23537.53	36297.71	25428.01
4	P L Mat	1609.94	1027.10	246.21	168.84	75.06	52.69	54.21	40.06	2.84	2.03
5	Tufted Mat	19671.49	11605.96	29017.02	18213.02	33950.35	19910.98	33689.27	22598.15	36991.21	25351.24
6	H L Matting	2915.91	1913.38	3642.27	2354.63	3013.71	1879.33	2368.45	1716.56	1832.24	1425.28
7	P L Matting	155.95	118.89	104.75	85.11	115.82	88.30	87.52	85.09	2.41	3.04
8	Geo textiles	2512.32	1140.56	3044.51	1335.22	3364.72	1444.65	3251.52	1591.05	3754.44	2023.77
9	Rugs & Carpets	1242.70	730.38	488.31	328.55	178.14	134.40	63.83	67.63	46.17	45.38
10	Coir Rope	162.73	70.41	154.25	68.87	372.26	139.99	370.28	164.60	430.56	165.92
11	Curled Coir	0.00	0.00	1804.03	208.34	1279.99	152.06	1193.38	197.04	3365.7	668.33
12	Rubberised Coir	536.50	377.05	947.31	697.86	1120.35	852.19	1222.59	1174.77	629.78	713.39
13	Coir pith	53444.48	3872.60	67152.99	5382.07	83613.24	6384.77	96996.32	8462.30	131916.67	12347.06
14	Coir Other Sorts	123.03	74.65	119.31	66.04	57.02	57.83	50.50	19.03	55.04	28.53
	TOTAL	**136026.97**	**50844.75**	**168754.75**	**60516.59**	**187566.74**	**59288.08**	**194791.08**	**63417.38**	**294508.05**	**80405.22**

(Contd.)

Sl.No.	Items	2010-11		2011-12		2012-13		2013-14		2014-15	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
1	Coir Fibre	83393.01	12148.55	119684.54	20323.98	140692.93	20707.66	173901.72	32878.11	219103	41923.34
2	Coir Yarn	5021.96	2685.34	5562.87	3140.7	4202.3	2387.22	4246.88	2848.26	4070	3000.89
3	H L Mats	29409	21525.8	27656.17	23545	24150.93	**22810.1**	22608.9	23623.82	25354	23946.91
4	P L Mat	0	0	36.14	24.56	1.94	3.15	234.21	278.36	161	225.25
5	Tufted Mat	33349.2	23968.41	33021.17	27745.26	37288.51	33572.91	43751.79	41776.39	41284	39725.96
6	H L Matting	1406.49	1244.72	1473.78	1582.83	1418.31	1702.76	3425.63	3353.91	1667	1835.28
7	P L Matting	0	0	0	0	0	0.00	0	0	28	43.93
8	Geo textiles	3266.63	1823.05	3680.91	2433.12	3597.3	2628.74	4468.27	3503.78	4236	3270.28
9	Rugs & Carpets	1146.81	826.22	191	185.55	94.83	133.37	93.43	105.99	135	146.1
10	Coir Rope	211.56	86.72	792.82	340.99	419.62	282.41	497.84	390.17	614	391.92
11	Curled Coir	5527.08	1056.52	11855.97	3171.3	8883.14	2112.46	11262.66	2947.93	12621	3732
12	Rubberised Coir	383.39	476.89	415.6	549.8	321.47	495.02	965.43	1560.76	897	1410.88
13	Coir pith	157854.93	14829.02	206424.57	22150.7	208399.28	24727.61	271494.76	34173.23	316425	43295.24
14	Coir Other Sorts	45.96	35.84	58.36	68.75	30.36	39.33	88.86	163.13	71	85.79
	TOTAL	321016.02	80707.08	**410853.90**	**105262.54**	**429500.92**	**111602.74**	**537040.38**	**147603.84**	**626666**	**163033.77**

Source : Coir Board