Rajagiri Journal of Social Development
Volume 12, Number 1, June 2020

Local Self Government Institutions and Interventions in the Manufacturing Sector: A Comparative Analysis of Two Gram Panchayats in Kerala, India

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Abstract

A distinguishing feature of the democratic decentralisation process in Kerala, following the 73rd and 74th Constitutional Amendments, is the economic role assigned to Local Self Government Institutions (LSGIs). The envisaged devolution of 35 per cent to 40 per cent of the State plan fund to LSGIs was expected to be supplemented with household savings and to be channelised into production to revive the stagnant productive sector of the economy. The present study maps out the experiences of two Gram Panchayats in their intervention in the manufacturing sector. A comparative analysis of the mode of intervention of two neighbouring Gram Panchayats in Kerala revealed that commodity characteristics supplemented with organisational skills played a pivotal role in influencing the outcome of the intervention of LSGIs in the production sector. However, either from the State level or from District Planning Committees (DPCs), there were little efforts made until now to scientifically draw a road map on the type of commodities in which LSGIs could effectively intervene. It is suggested that the DPCs in every district should guide the LSGIs to identify the feasible areas of interventions in the productive sector for an effective implementation of democratic decentralisation.

Keywords

decentralisation, planning, productive sector, Kerala

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Introduction

The State of Kerala stands unique among other states in India in the scale and extent of the devolution of power and resources to local governments after the introduction of 73rd and 74th Constitutional Amendments. Local Self Government Institutions (LSGIs) in the State, after the introduction of Kerala Panchayat Raj and Kerala Municipality Acts in 1994, have been viewed as vital institutions in rejuvenating the long stagnated production sector in the State. An important economic agenda of launching the Peoples' Plan in Kerala was the revival of the crisis infected regional economy, particularly the production sector, in the beginning of the Ninth Five Year Plan (1997-2002).

Against this backdrop, the objective of the study is to analyse factors influencing the economic viability and sustainability of manufacturing units under the tutelage of LSGIs. The study used both primary and secondary data. Annual plan documents of the sample Gram Panchayats (GPs), minutes books, office registers and account books of respective microenterprises were used for the study. A primary survey of people associated with the two microenterprises was carried out. Samples for the study were drawn from two sets of stake holders in Self-Help Groups (SHGs) turned into microenterprises organised under the tutelage of Vellanad and Aryanad GPs. The first and primary set of samples was drawn from members of SHGs which were turned into microenterprises. In Vellanad, there were 645 active members in the Agriculture Product Trading Centre (APTC) while the registered members of SHGs of microenterprises at Aryanad were 700, of which 10 per cent (70) were selected for the study. From the sample frame for the primary set of samples, comprising active participants in microenterprises, the total sample size was 135 distributed in proportion (10%) to the population size of memberships in SHGs (microenterprises). It may be noted that members available in the sample frame were not equally active during the entire period from its inception, therefore a snowball sampling technique was adopted to pick the active members from the sample frame. It may also be noted that in-depth personal interviews were conducted with management committees of microenterprises in Aryanad (15 members) and Vellanad (12 members). For the second set of samples, functionaries were chosen from both Vellanad and Aryanad GPs comprising of elected representatives, GP officials and selected office bearers of institutions such as Beneficiary Committees constituted under the Kerala Panchayat Raj Act, 1994.

The choice of two GPs, viz., Vellanad and Aryanad is influenced by the following factors:

- comparable characteristics of demographic, social, political and geographical factors as these two GPs are located adjacently;
- Aryanad GP was enticed into the production arena with the successful venture of the Vellanad GP in organising petty commodity producers against the vagaries of the market;
- cropping patterns and skill levels of the rural surplus population in both Vellanad and Aryanad GPs are more or the less the same, which further provided stimuli to the latter to enter into the production phase.

Broadly, a close perusal of these factors placed these two GPs in a comparative framework. Could a GP or any local body effectively get it launched into the production arena negating the principles of the market? How is the organisation of production under the tutelage of LGSIs different from a market-based production of private capital? What are the enabling and disabling factors for an LSGI to make an entry successfully into the production front? Given the problematisation, the discussion in the paper is organised into four sections. In the first section, the context and general trend observed in the intervention of LSGIs in the production sector, particularly in the manufacturing sector, is discussed. The second section explains the locale and profile of sample GPs, viz., Aryanad and Vellanad. Experiences of the Aryanad GP in its Food Product Manufacturing Unit (FPMU) and the APTC in the Vellanad GP are discussed in sections three and four. In section five, similarities and differencesin the experience of sample GPs are analysed and concluded.

I

Democratic Decentralisation and Intervention in the Productive Sector

There are competing paradigms on democratic decentralisation initiated in the early 1990s in India. Although there exists different viewpoints within each paradigm, prominent among them are the neoliberalist view on decentralisation and the left approach to democratic decentralisation. In this context, a distinction has to be drawn between democratic decentralisation (left approach) and decentralisation (neoliberal view) around which major theoretical debate hovers. In the case of the left approach of democratic decentralisation, the local governments are endowed with funds and full-blown autonomy to decide on their course of action with minimal or no intervention from higher orders of the administrative hierarchy (Isaac and Franke, 2000). The democratic decentralisation process facilitates active participation of the masses, especially the under privileged sections in the society at the local level development (Mewes, 2011).

Contrary to it, the neoliberal decentralisation is viewed as an administrative reform which does not devolve political decision-making autonomy but a mere transfer of power to implement programmes designed from above. The neoliberal decentralisation adopts a top-down approach for development and community participation as the way to materialise pre-decided development projects (Gurukkal, 2001). The neoliberal decentralisation is therefore a process of transforming local governments as agents of the higher government apparatus (Patnaik, 2001; Mewes, 2011). As an auxiliary to the decentralisation process in developing countries, SHGs were promoted to decentralise the production process to tap into cheap labour power, particularly the women who had not yet been part of the labour market. The SHG-promoted micro-production units were showcased as successful ventures as the capital and organisation of production is regulated by a large capital and therefore the production is meant for a wider market. Decentralisation under the paradigm of microenterprises led local economic development was criticised as a revised strategy of capital (neoliberalism) to deflate wages and extract maximum surplus (Mohan and Stokke, 2000).

The left approach, on the other hand, argued that the democratic decentralisation introduced in Kerala drew its strength from the experience of the nationalist movement and freedom struggle in which village folk cutting across caste, creed and class joined together to draw up plans for their village economy and self-sustenance (Isaac and Franke, 2000). As contrary to the neoliberal view on decentralisation, the democratic decentralisation process initiated in Kerala (Peoples' Plan

Campaign), involved political, administrative and functional autonomy to LSGIs (Isaac and Franke, 2000). The production base of the regional economy was sought to be strengthened by carving out its share in the local market. However, thriving on the market, which is closely integrated with national and international markets, is more romantic than realistic. Studies of microenterprises under democratic decentralisation in Kerala reported that the majority of units failed to take off or died down within a year of its inception (Harilal, 2008). Such generalisation doesnot reveal the issues of microenterprises with little capital and the local market. It entails a detailed study at the unit level to understand its dynamics of production and causes of fatality. The present study is an attempt to understand factors influencing the sustainability of microenterprises set up by SHGs under democratic decentralisation in Kerala since the Ninth Five Year Plan.

Stagnation in the Production Sector

Strengthening of the material production base in a regional economy like Kerala needed huge public investment, which was an uphill task for the State government. Against this backdrop, in 1996 the State government took up the challenge of reviving the regional economy by attracting small savings and other resources available including manpower and other sections of the society, along with devolution of the State plan fund, to be converted into productive investment in the production sector (Isaac and Harilal, 1997). In the development drive, GPs have been placed as the pivotal unit of stimuli as GPs work closer to the people when compared to other PRIs. In order to translate the objective into an action plan, several development models in agriculture and industrial production sectors were attempted in the State by local bodies since the commencement of the Ninth Five Year Plan. Only a few of them could outlive challenges and sustain themselves.

Further, since 2001 successive governments in the State have backed out from the avowed economic objective of democratic decentralisation in the State. The decline in the share of the productive sector also affected allocation to the industrial sector. The allocation to the industrial sector constituted about 17.04 per cent of funds available for productive sector projects in 2006-07, which had declined to 4.69 per cent in 2017-18.

Moreover, the annual rate of change in the plan fund utilisation in the industrial subsector has a more negative rate than the productive sector between 2007-08 and 2017-18 (Government of Kerala, 2008, 2010, 2012, 2014, 2016, 2018, 2019). The trend revealed that the pace of promotional activity for the industrial subsector under rural LSGIs had weakened over the years.

II

Profile of Vellanad and Aryanad Gram Panchayats

Table 1 shows similarities and contradictions between the two GPs sampled for the study. Aryanad and Vellanad GPs are situated in the eastern part of Thiruvananthapuram district with a road distance of 28.5 km and 22 km respectively fromthe district headquarters. Aryanad GP has an area of 104.92 sq. km while Vellanad GP has 22.19 sq. km. About 77.2 per cent of the area in Aryanad GP is under forest cover (Government of Kerala, 2011). Therefore, the GP has a population density of 262 per sq.km. The population density of Vellanad GP is 1,404 per sq.km. According to the 2011 census, Aryanad GP has a sex ratio of 1,110 females per 1,000 males, which is higher than the district and the State averages. The sex ratio of Vellanad GP (1,057) is lower than the district and State averages. The literacy rates of both Vellanad and Aryanad GPs are lower when compared to the district and State averages. The proportion of Scheduled Caste population in the two GPs is lower than the district average while the proportion of Schedule Tribe population in the Vellanad GP and the Aryanad GP is higher than the district and State averages. Work participation rates of the sample GPs with respect to total, male and female are higher than the district and State averages. The cultivators constituted only 5.73 per cent and 4.05 per cent of the main workers in the Aryanad and Vellanad GPs. The proportion of agriculture labourers to main workers in the Aryanad GP (10.78%) was marginally higher than the Vellanad GP (9.51%). The cropping patterns in the two sample GPs are more or less the same with a little edge in the area under natural rubber in the Aryanad GP.

Table 1: Demographic profile of Aryanad and Vellanad GPs in the 2011 Census

Indicators		Aryanad GP	Vellanad GP	Thiruvananthapuram District	Kerala
Area (Sq. Km)		104.92	22.19	2189	38852
Population Density per Sq. Km		262	1404	1508	860
Number of Wards		18	18	--	--
Sex Ratio (per 1,000 Male)		1110	1057	1087	1084
Literacy Rate (%)	Total	90.78	92.39	93.02	94.00
	Male	93.99	94.89	95.06	96.11
	Female	87.95	90.06	91.17	92.07
Work Participation Rate*	Total	40.44	41.63	37.31	34.78
	Male	57.79	58.89	54.63	52.73
	Female	24.82	25.29	21.37	18.23
Schedule Castes Population (%)		10.47	6.58	11.30	9.10
Schedule Tribes Population (%)		2.19	1.55	0.81	1.45

Note: * Percentage of total workers (main and marginal) to total population.
Source: Census of India, 2011a; 2011b.

III

The Establishment of a Food Product Manufacturing Unit in the Aryanad GP

The origin and development of the Food Product Manufacturing Unit (FPMU) in the Aryanad GP can be classified under four different phases. The phasing is based on the mode of operations and the nature of crisis of the unit. In effect, four different phases indicate different commodities produced over the years.

People Brand-Diabetic Food

The industrial development projects under LSGIs were mostly confined to the distribution of revolving funds to SHGs and imparting training for venturingmicro enterprises either individually or with a group. The outcome of most of such industrial development projects implemented in LSGIs was not impassive (Government of Kerala, 2009). It was in that context that the Thiruvananthapuram District Panchayat took the initiative to start industrial production units and marketing of the products. The District Panchayat (DP) prepared a master plan to establish a network of food product manufacturing units. The Kudumbashree mission was also included in the production network of 17 food products manufacturing units in different GPs of Thiruvananthapuram district. The DP earmarked Rs. 6.5 million from its development fund and Rs. 0.49 million from its own fund for setting up the network of food products manufacturing units during the Eleventh Five Year Plan (2007-2012).[2]

The FPMU at the Aryanad GP was established in April 2007. The unit started manufacturing diabetic food[3] with 15 SHG members. The initial capital for the unit was mobilised through the share capital of its members and supplemented with the revolving fund from Kudumbashree. The Aryanad GP provided the workspace for FPMU and the DP supplied the technology for diabetic food. A bank loan of Rs. 50,000 was mobilised for the working capital. The members of the FPMU were given training in skills development for the diabetic food production.[4] The Central Food Technological Research Institute (CFTRI), Mysore, was assigned the task of imparting training to the members and the unit was inaugurated in May 2008.

For the marketing of the product, the DP entered into an agreement with a private company, viz., Prowins, to market all products produced in the network of food product making units of the DP. Products in the network were marketed under a single brand name called People to build up brand loyalty. In order to ensure the quality of the products, supervisors were appointed and established an advanced packing centre. The FPMU in the Aryanad GP made an agreement with Prowins that the unit would supply the diabetic food at Rs. 35 per kg. In the first month, Prowins registered a turnover of Rs. 0.7 million from the sale of the product under the network of People

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[2] Data on expenditure for People brand products by the Thiruvananthapuram DP was collected and compiled from the annual development reports of Thiruvananthapuram DP. Data were collected from the Information Kerala Mission, Thiruvananthapuram.

[3] The Diabetic Food produced by the Food Manufacturing Unit in Aryanad was a ready to cook product for diabetic patients. The inputs used in the product have a hypoglycaemic character. The product contains 17 edible ingredients like wheat, four pulses, seven spices, Indian gooseberry, milk powder, oil, salt and vitamin premix.

[4] Data were collected from the office of the FPMU, Aryanad.

[5] Data were collected from the cash register of the FPMU, Aryanad. The collected data were further supplemented with in-depth interviews of the office bearers of the FPMU.

[6] Data were collected through in-depth interviews with the office bearers of the Prowins Pvt Ltd.

brand and the diabetic food had a turnover of Rs. 27,590.[5] But within six months, Prowins accumulated an undistributed stock worth Rs. 0.6 million, which was dumped at its packing centre.[6] Subsequently, Prowins and its dealers were withdrawn from the marketing of *People* brand, mainly because several consumers filed cases against Prowins and it eventually culminated in the complete stoppage of *People* brand products.

The Launching of Sauhrdaya Diabetic Food

The Aryanad GP Committee discussed the failure of diabetic food production of the FPMU in Aryanad. It was not possible for the Aryanad GP to make a large investment in the FPMU, but it decided to exploit the infrastructure facility made available by the DP for diabetic food production. The Aryanad GP had constraints in dealing with the supply side bottlenecks of the FPMU. The Gram Panchayat Committee advised the members of the FPMU to take up the responsibility of marketing the diabetic food and the GP President and a number of ward members also took part in the marketing of the diabetic food. The unit started the production of diabetic food in November 2008 under a new brand name called Sauhrdaya.

The turnover of the diabetic food under the Sauhrdaya brand for the first month of its operation was Rs. 3,537. The unit under the new brand could not succeed in the market and therefore the turnover of January 2009 fell to Rs. 1,036. In the same month the unit stopped its production. Table 2 summarises category-wise income and expenditure of the Diabetic Food Unit from April 2007 to January 2009. Important observations from Table 2 are:

- the unit recorded a sale of diabetic food of Rs. 0.104 million which is much lower when compared to the raw material cost of Rs. 0.144 million;
- the amount spent for establishment and maintenance of the asset was Rs. 0.252 million and the cost was met with beneficiary contributions and aid from Kudumbashree;
- the unit recorded a loss of 6.33 per cent.

The establishment charges mentioned in Table 2 did not include the project money spent by the DP. It is also difficult to separate the amount spent for the establishment of a diabetic food unit by the Thiruvananthapuram DP because a significant portion of the expenditure was for common infrastructure building under the People brand and the average amount calculated for the unit was Rs. 0.278 million.

Table 2: Income and expenditure of the Diabetic Food Unit between 2007 and 2009

Income		Expenditure	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
Beneficiary Contribution	75,655	Establishment charges and Maintenance of Asset	252,879
Fund from Kudumbashree	212,671	Raw materials	144,720
Bank loan and Interest	51,894	Salary	34,616
Cheque from Prowins	90,228	Bank charges and Loans	16,244
		Electricity and Gas	8,623
Sale of *Sauhrdaya* Diabetic food	10,184	Membership cancellation	9,613
		Stationery	1,458
		Travel	368
Total	440,632	Total	468,521

Source: FPMU, Aryanad.

The Nutri-Laddu Unit

The Aryanad GP Committee discussed the failure of diabetic food products and realised the non-viability of the production of diabetic food and concluded that an inadequate market was one of the major constraints of the unit. Since the GP had limitationsin creating a captive market for all industrial products, the Aryanad GP decided to incorporate the food product making unit with 'supplementary nutrition programme through Anganwadi. The GP annually spends an average of Rs. 0.85 million for the supplementary nutrition programme. The GP Committee consulted the authorities of the Integrated Child Development Scheme (ICDS) in the Aryanad GP and decided to distribute Nutri-Laddu through Anganwadis. The unit received the work order to produce Nutri-Laddu for 33 Anganwadis of the Aryanad GP. Although the Nutri-Laddu unit had 13 members, only eight members were associated with the production of the Nutri-Laddu. The price of Nutri-Laddu was Rs. 2.5 per piece and the daily demand for the Laddu was 850 pieces. The Aryanad GP had also spent Rs. 99,000 for infrastructure development of the unit during 2010-11,but the Laddu making unit collapsed when the Aryanad GP had failed to offer the captive market for the unit through ICDS.

Restaurant and Catering Centre

The Aryanad GP Committee discussed the reasons for the failure of FPMU. As an alternative, they started a restaurant and catering service. The GP supplied land and provided funds for the procurement of infrastructure facilities. The Thiruvananthapuram DP allotted Rs 1.2 million for the building of the restaurant from its plan fund.[7] The restaurant started in March 2012 with eight members turned workers. The restaurant unit usually opened at 9 a.m. and closed by 3 p.m. The restaurant usually runs its business six days a week, except Sundays. On an average, there was a daily sale of 60 meals. In addition to it, the unit also received orders for catering services. The monthly income was Rs 50,000 against an expenditure of Rs. 30,000. On an average, every member received a monthly income of Rs 8,000.[8] The catering unit is the only unit among its four successive attempts to forge a living with a small investment and support from the local self-government. The point of investigation of the failure and success of all four units had to be undertaken in the context of the commodity characteristics.

IV

Interventions in the Productive Sector: Experiences of the Vellanad GP

Important crops grown in the Vellanad GP are coconut, natural rubber, plantains, vegetables and tapioca. As part of the global commodity price fall for primary commodities and the subsequent crisis in the agrarian front since the late 1990s, prices of the major dry land crops, viz., coconut and rubber have fallen markedly. In order to find a means of survival, agricultural labourers, marginal and small farmers diversified to banana cultivation in the wetlands (often leased on rent), as their counterparts did in other parts of the State. But the market for plantains and coconut in the Vellanad GP were controlled by a few traders and their middlemen. They operated and made direct purchases from farmers at the cheapest rate possible, particularly

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[7] The expenditure data on construction of the building was collected from the development report for the financial year 2011-12 for the Thiruvananthapuram District Panchayat.

[8] Data on the income and expenditure and mode of operations of the restaurant was collected from cash registers of the unit and in-depth interviews with officebearers of the unit.

during harvesting season and sold to the traders at a higher price in the city markets.

The unscrupulous exploitation of the village market by local vendors was a matter of concern for farmers in the village for some time. The GP was groping in the dark about its nature of intervention in the market. The most familiar way out of the impasse was the procurement of farm produce, which was apparently beyond the functional purview of an LSGI. Moreover, the working capital required for the procurement of bananas and other varieties of plantain was compounded further by its managerial issues, which was rather common to any type of perishable agricultural commodity with a very short shelf life like plantains. The pressure from farmers compelled the GP to go for procurement, but how this could be carried out was the puzzle. This was because the plan guideline did not permit the GP to indulge in such procurement.

Keeping in mind the objective of ensuring fair and remunerative prices for farm produce, in October 2004 the Vellanad GP organised a meeting of farmers at the GP hall. But the meeting was dissolved without any major breakthrough in the deliberations. Following it, the Vellanad GP Committee held a series of informal consultations with different stakeholders to resolve the issue. The meeting convened in December 2004 resolved to procure all varieties of plantain from farmers in the Vellanad GP at a price fixed on a par with the one offered by the Vegetable and Fruit Promotion Council Keralam (VFPCK). Further, it was decided the procured plantains would be sold to vendors at the same price as it was not possible to charge a higher selling price from banana traders. In other markets in the village, the bananas and plantains at a lower price would leave the procured products in the APTC unsold. The proposition of procuring at a lower price from farmers was also not a feasible solution to the impasse as a fall in the price of the farm produce really matters to farmers and they would invariably prefer to sell for a higher price if possible, in the open market. If the procurement failed, then it would destroy the whole plan. On considering the issues likely to emerge, it was decided to go ahead with the procurement of bananas and other varieties and deferred coconut procurement for the time being. Moreover, the plight of banana growing farmers was more miserable because they borrowed money mostly from village money lenders.

To begin the operation of the APTC, a 60-member farmers' committee was formed with an elected board of directors. The Agricultural Officer and the GP President were inducted to the elected board of directors as ex-officio members. The board of directors was headed by a president and assisted by a secretary. The organisation is registered as a farmers' SHG enterprise under the Vellanad GP.[9] The secretary would supervise daily working of the organisation and should remain responsible for accounts and auditing. As per the by-law of the organisation, any farmer residing in the Vellanad GP could sell their farm produce to the APTC but for membership in the APTC one should register with Rs 10. The voting right and eligibility to contest the board of directors was restricted to those who had sold not less than Rs. 5,000 of bananas to the APTC a year. This condition enabled the farmers to protect the APTC from being grabbed by non-farmers and other vested interest groups. Registered members are shareholders of the APTC and a share is valued at Rs. 250.

As soon as the APTC started its operation, it realised the trouble that was in store. It did not have sufficient working capital to procure bananas from farmers as the time lag between procurement and sale increased the quantum of the working capital required. Moreover, local middlemen, vendors and merchants joined hands and hatched a strategy to cripple the APTC in its infancy by preventing the traders from the city market buying bananas from the APTC. It further complicated the issue as ripened bananas and other plantains could not be stored at all resulting in substantial loss. The APTC director board members resisted the counter move by the vested interest group in the GP by mobilising Rs. 50,000 as working capital without interest to tide over the impasse and succeed in their endeavour. Ripened bananas and different varieties of plantains were sold to the local vendors at a lower price while a portion of the bananas was sold to local people by way of a campaign. It could give much needed publicity to the new venture. Marginal and small farmers brought small quantities of plantains to the market to purchase their daily provisions and therefore, payment to them could not be delayed even for a day. In the very first year

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[9] As per the plan guidelines issued for the 10th Five Year Plan (2002-2007), LSGIs are not permitted to handover or extend financial help to organisations registered under the Charitable Act or as cooperatives. Therefore, the APTC is not registered with any statutory body but continues as a self-help group of farmers and functions under the Vellanad GP.

of its inception, in spite of the hurdles, the APTC functioned smoothly, gaining the confidence of both farmers and traders. In the second year of its operations, the Vellanad GP granted Rs. 30,000 as a revolving fund to the APTC.

The administrative and operational expenditure of the APTC was met from the commission it had collected at the rate of 3 per cent from the value of the produce of its members, of which the APTC retained 2 per cent for administrative expenses and the remaining 1 per cent was returned to the farmers as a bonus every year. From 2009 onwards, 5 per cent was deducted from the value of produce to give a higher amount as a bonus (3%). Every farmer member was provided with a passbook in which the transactions were entered. The bonus was based on the amount of sales made by the farmers to the APTC in the preceding year. A good number of farmers received a maximum bonus amount of Rs. 6,000. The operating cost of the APTC (plantain section only) included monthly salaries of its employees and other expenses including printing. The banana trading centre had a salesman cum cashier and a grader cum worker with monthly salary of Rs. 10,000 and Rs. 8,500 respectively. In addition to it, workers are paid a one-month salary as a festival allowance in a year. Further, the Vellanad GP has entered into an agreement with trade unions in the village to allow the farmers and traders to load and unload their produce at the marketing place on their own and therefore they need not pay charges for loading.

Since the APTC has become operational, daily supervision and monitoring is inevitable to instil confidence and fairness and transparency in the dealings. The honorary secretary of the APTC, who renders a voluntary service from its beginning is at the helm of affairs of the APTC. It is also important that the person needs to be a socially respected and accepted figure for peasants as well as local vendors, primarily for the reason that the acts of visual grading and weighing the produce (bananas and plantains) should not only be accurate and unbiased but any dispute, if it arises, needs to be amicably settled. For plantains, the centre makes three bills. The first bill is given to the farmer. The duplicate bill is issued to the buyer. The other duplicate is kept by the centre. This is to ensure that the price of buying and selling are the same for the produce.

In spite of the initial loss for a while, within a period of six months the local market for plantains was literally closed down to the bewilderment of the middle men. Now that the rural village market for bananas and other plantains had virtually ceased to exist, local vendors and traders from the city were left with little option but purchase plantains from the APTC. Traders and merchants are appreciative of middlemen extinction as they do not have to do bargaining now. Now the households in the Vellanad GP too get plantains and bananas of the variety they prefer at an affordable price without bargaining. Moreover, anyone can order the type of plantain and its quantity required on any particular day (mostly on auspicious days), which the APTC would arrange from farmers through their network in the village.

Activity Expansion of the APTC: Formation of the Coconut Procuring and Processing Unit

In terms of area under cultivation in the Vellanad GP, coconut has the maximum coverage. Coconut farmers in Kerala face problems of declining productivity due to plant disease and falling prices. Besides such problems that coconut farmers in general encounter for quite some time in the State, the local market for coconut is largely controlled by a few buyers. Coconut trading and oil extraction in the Thiruvananthapuram district, to a great extent, is controlled by the caste group, Vaniyar.[10] Coconut traders have formed a cartel to fix the price of coconut which is much below the published open market price. Therefore, the farmers have little option but to sell the produce to the local vendors as the main market is situated almost 22 km away from the village. Marginal and small farmers in the village impressed upon the Vellanad GP Committee the need to find a way out of the trauma in the local market for coconut consistently through Gram Sabha.

Receiving impetus from the success story of banana and plantain procurement, the APTC took up the challenge of procuring coconut in 2007. Compared to plantains, the local market for coconut did not have many middlemen and the sale took place mostly at the residence or in the coconut field of the farmers as the bulkiness of the produce (in terms of number) makes its transportation to the local market rather difficult. Intervention in the coconut market by the APTC posed several challenges. The challenges include:

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[10] Vaniyaris a sub caste of Hindus, who are traditionally a business community and in Thiruvananthapuram district they trade mostly in coconut and its value-added products.

- coconut cannot be sold as quickly as bananas;
- in the village, more than 70 per cent of the households have some quantity of coconut production at home, which to a certain extent is sufficient for home consumption;
- not even 1 per cent of coconut farmers process coconut at home to extract oil, for which they depend the open market (unlike other States, coconut oil is widely used in cooking in Kerala);
- coconut tree is harvested once in 45-50 days and therefore its problems as compared to an annual crop like plantain, is different in terms of stocking and working capital requirement, especially during the peak season.

However, the APTC resolved to expand its sphere of activity to coconut too, in spite of the insurmountable hurdles to translate it into a reality. Accordingly, the annual general body of the APTC convened on 9 February 2007 resolved to intervene in the local market for coconut and in the same month extended its operation to the coconut market. Often, the traders visit the coconut field or the resident of the farmers and fix a rate for the coconut and the rate is fixed for 100 coconuts, irrespective of the quality and weight of the produce. Moreover, the amount is under paid after a week or a month. Against this fraudulent practice, the APTC resolved to bring in transparency in the coconut trade and it was sought by pricing coconut by its weight.

The coconut traders in the village tried to kill the intervention by dumping the low quality coconut onto the APTC. The price was much higher than the local rate which apparently kept major coconut vendors in the village out of the market. In the peak season, 2,000-2,500 kg of coconut could be collected in the centre in 2007. The price was fixed slightly higher as compared to the market rate published for coconut in the newspaper. During the lean season the APTC could collect 700-800 kg. Coconut is sold from the centre at a price 5 per cent higher than its buying rate, which is necessary to run the centre with minimum profit because the weight of the coconut gets reduced as it dries. The administrative cost is met through the 5 per cent commission deducted from farmers.

Coconut Processing Unit under the APTC

Processing of coconut has become a necessity for the APTC as the accumulated coconut could not be sold. The setting up of a processing unit cost a capital expenditure of Rs. 96,000 for a drier and oil extracting machine at a cost of Rs. 0.25 million.[11] The capital expenditure was met in part from a plan fund of the Vellanad GP and partly from a bank loan. The GP permitted the APTC to setup its factory free of cost in the land where the public market also functions, which in turn improved the accessibility to the centre and also enabled the APTC to give wider publicity to the farming community in the GP. In the coconut collection centre, five persons are working with a monthly salary ranging between Rs. 8,000 to Rs. 12,000. The Thiruvananthapuram DP has provided Rs 1 million as working capital, Rs. 0.5 million for the expansion of buildings and another Rs 0.5 million for the installation of an oil purifier and bottling plant to the APTC.[12]

On average, 47 farmers had sold coconut to the APTC in the lean season and their number increased to 75 in the peak season per day. On average, 200 kg of coconut oil was sold. The quality of the oil was superior and therefore people from distant villages purchased oil from the unit. For food preparation, on auspicious occasions, people prefer the APTC's oil as it is free from contamination and adulteration. In large scale oil processing factories, a sulphur chemical is added to copra(dry coconut), which keeps it fresh for almost a year while non-sulphur added copra could last only for a month. Similarly, coconut cakes of the APTC, a by-product of coconut processing, has a better market. The APTC now sells coconut, coconut oil, coconut cake and shells. Now the local market rate for coconut has already been shifted to the APTC and the village market for bananas, other varieties of plantain and coconut have ceased to exist outside the APTC. Even a farmer, howsoever smaller the quantity of his produce is, can sell to and buy from the APTC. Figure 1 shows the turnover of the APTC from 2006-07 to 2017-18. As the APTC started procuring coconut, in addition to its plantain business, the turnover almost doubled in 2007-08. The turnover increased year after year and reached its maximum in 2011-12. The trend in the turnover of the APTC shows volatility after 2011-12.

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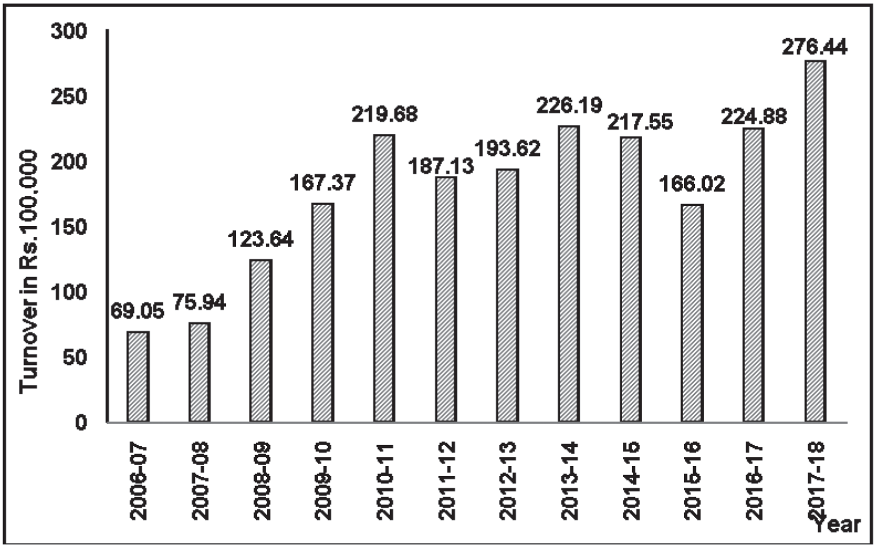
11 Data were collected from the day book and cash register of the APTC in Vellanad GP.

12 Data were collected from the office registers of the APTC in Vellanad GP. The collected data were crosschecked with the development report of the Thiruvananthapuram DP.

Figure 1: Turnover of the APTC



Source: APTC, Vellanad

Effect of the APTC on the Farm Sector in the Vellanad Gram Panchayat

Any form of market intervention strategy of LSGIs assumes special significance in the present day context of market integration, especially with respect to petty commodity producers. Price volatility leaves its manifold manifestations in every sphere of production irrespective of the place of origin of production.

A farmer from the Vellanad GP remarked, "I cultivate banana and other variety of plantains in leased land. Prior to the entry of the APTC, often I used to sell my produce at a price which did not even cover the cost of production. Now I am selling to the APTC and receive a remunerative price. Moreover, I have leased in more land for banana cultivation". Vendors in the local market often buy coconut on credit and the payment would be made over many months. At times, vendors refused payment to farmers ending up in a scuffle. A farmer reports "the vendors in the market cheat us by fraud counting of coconut and a good number of coconut would be discarded as second quality which would fetch a lower price. But the same second quality product will be sold out in front of us to other customers to much higher price than the first quality. On top of everything, even the price of the product would be paid in instalments. The APTC purchased coconut on weighing it and spot payment is made". Even during the lean season of coconut production, farmers were reported to have sold their produce to the APTC. The APTC also imparts training to farmers on modern cultural practices while helping the farmers avail themselves of extension services through Krishi Vigyan Kendra (Farm Science Centre) and the agricultural office in the Vellanad GP. Further, the APTC is also planning to widen its market intervention in vegetable crops. Farmers believe the APTC could purchase coconut because it processes the produce in the village and sell the value-added coconut oil without any adulteration. The market for coconut oil of the APTC has been fast expanding and even from distant places customers come to Vellanad to purchase the coconut oil from the APTC.

V

Comparison of the Nature of Intervention of Vellanad and Aryanad GPs

The two case studies presented in the previous sections have revealed the success and failure of micro enterprises set up under the patronage of LSGIs in Kerala. Although the case studies have well-defined limitations in extending to any scale of generalisations, it is important to investigate the factors influencing the success and failure of micro units. The intervention of a GP in the productive sector of a village economy is influenced by constraints and stimuli operating from both supply as well as demand sides. Figure 2 represents the constraints that a manufacturing unit usually encounters and the role of LSGIs. Important supply bottlenecks of a unit are:

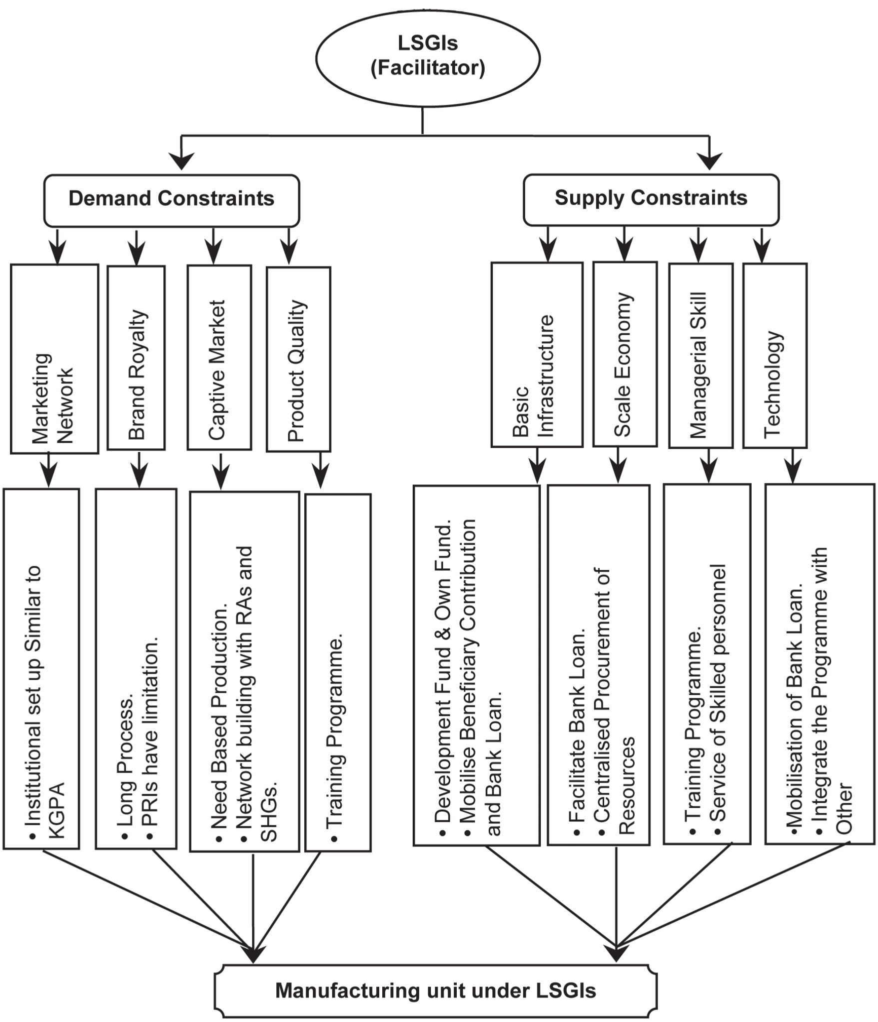
- setting up of basic infrastructure;
- scale economy in input procurement;
- service of skilled managerial staffs; and
- accessibility to technology.

The usual demand driven constraints of a manufacturing unit are:

- marketing network;
- brand loyalty;
- carving out a captive market; and
- product quality

An LSGI could setup buildings and other infrastructure with its development fund supplemented with small savings from beneficiaries and bank credit. Centralised procurement of quality raw materials at a subsidised rate required an institutional setup to integrate the manufacturing unit with LSGIs. However, it is not viable to have such institutions at an LSGI level since there are only a few industrial units that require the support of LSGIs. The options available to ensure skilled managerial services are an entrepreneurial training programme and tapping of skilled manpower

Figure 2: Demand and supply constraints of manufacturing unit and role of LSGIs



in the vicinity of each LSGI. An LSGI has limitationsin building a marketing network for products produced under its patronage. Brand loyalty building is a complex and long drawn out process. Therefore, LSGIs have limitations to their intervention in the brand loyalty building process for any industrial product and it restricts them to supplying a captive market for all industrial products.

The APTC in the Vellanad GP deals with the value-addition of coconut and bananas and varieties of plantains, which have locational advantage in terms of supply and demand. Conversely, the FPMC in the Aryanad GP did not enjoy any such locational advantage either in supply or in demand. The APTC in the Vellanad GP was endowed with buildings, furniture and weighing machines and required working capital to procure plantains and coconut by the GP. As the centre expanded, it required machines like coconut driers, oil extractors and oil purifier and bottling machines. The local bodies (both the Vellanad GP and the Thiruvananthapuram DP) partially financed the unit for its further expansion. The unit had the authority to select machines required for its purchase as they did not have any compulsion to follow the purchase rules and regulations of a government institution. The infrastructure for the FPMU was built by the Thiruvananthapuram DP. As a government institution, the DP had a legal obligation to follow the purchase procedure of the government. As a result, the FPMU received a substandard quality of machines for the diabetic food unit. Members of the FPMU confirmed the poor quality of the machines, especially the roaster and multi mill. As the FPMU started the production of Sauhrdaya diabetic food, the Aryanad GP had limitations to installing an advanced packing machine as it had financial constraints for mobilising the huge sum of money for the purpose.

Location of the Centre and Marketing of the Product

The APTC started working in the Agriculture Office of the Vellanad GP. The unit got its permanent building in the Vellanad Public Market wherein trade in bananas and coconut take place. Unlike the Vellanad GP, the FPMU in the Aryanad GP did not enjoy any such advantage either in the availability of raw materials or in the market for its products. There was no institutional infrastructure for the FPMU to enable it to enjoy advantages in the procurement of raw materials. The FPMU in Aryanad procured raw materials from the Panachamood market in Tamil Nadu, but the raw material procured from Panachamood was inferior in quality. In the case of restaurants, the limitation of women members to work from early in the morning to late in the night further crippled the smooth functioning of the unit.

Management Structure

The Vellanad GP succeeded in mobilising the service of committed social activists who could command the respect of the society at large for the development of the APTC. Moreover, the service of the secretary, who was a government teacher in the GP, was available for the APTC free of cost. Contrary to this, the Aryanad GP could not ensure the availability of such persons who command wider social acceptance. Even though such non-market elements do not have a significant impact in an economic activity it matters in a village community.

Table 3: Advantages and disadvantages of Vellanad and Aryanad GPs

Constraint	APTC, Vellanad GP	FPMU, Aryanad GP
Market for product	Have strong local market	Did not have strong local market
Marketing network	Not require marketing network	Require strong marketing network
Infrastructure	Not required huge investment at initial stage	Required huge investment in the beginning
Product quality	Good quality	Poor quality
Location	Had advantage	Did not have advantage
Availability of managerial service	Yes	No
Scale economy in raw material procurement	Have advantage	Disadvantage
Brand royalty	The nature of products did not demand brand royalty building process	Required strong brand royalty building process
Technology	Not required sophisticated technology	Required sophisticated technology

Brand Loyalty Building

Commodity characteristics do influence the viability of a manufacturing unit. Commodities with national and international brand loyalty are difficult to market by local producers. Most of the packed food items available in the market enjoys established brand loyalty. For the Vellanad GP, plantains or coconut did not require any brand name to fetch the market. Moreover, coconut oil produced in the APTC enjoyed special trust from people for its purchase. In the case of the FPMU in the Aryanad GP, diabetic food, or any other such products could not be sold because of the loyalty of the food products. Table 3 showsthe advantages and disadvantages of the APTC in the Vellanad GP and the FPMC in the Aryanad GP.

Conclusion

An important objective of the decentralisation drive in Kerala was the rejuvenation of the crisis inflicted regional economy, particularly the commodity production sector. It was sought to be achieved by devolving about 35 per cent of the State plan fund to local bodies with clearly spelt out guidelines for its utilisation. While devolving plan funds to LSGIs in Kerala, intervention in the productive sector was given priority. The comparative analysis of the mode of intervention of two neighbouring GPs, viz., Vellanad and Aryanad, revealed that commodity characteristics supplemented with organisational skills played a pivotal role in influencing the outcome of intervention of LSGIs in the manufacturing sector. The GP with lack of exposure and experience in production and marketing turned out to be a major hurdle. Although a considerable amount of plan funds could be invested in the manufacturing sector, the success rate measured in terms of the sustainability of such units was scanty. It was primarily attributed to indiscriminate choice of products and lack of adequate expertise and managerial skill at the GP level. The failure of production ventures often obliterated the small savings of the unemployed women who were lured into the sector expecting a prosperous future with sustained employment and income. However, there were cases of success, though few in number. The study recommends that there should be a judicial selection of commodities to be ventured at the GP level and the responsibility of the District and State Plan rests in identifying products for regions, without which intervention of LSGIs as envisaged in the People's Plan would be a mirage. It is suggested that the DPCs in every district should guide the LSGIs in identifying the feasible areas of interventions in the productive sector for an effective implementation of democratic decentralisation.

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