

From the Field

**Treasure in Clay:
A Case Study of Keezhmad Khadi and
Village Industries Cooperative Society in
Kerala**

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Abstract

Pottery is one of the important cottage industries in India that significantly contributes to rural livelihoods and local economic development. Pottery making industries are shutting down due to the lack of resources and financial support from government agencies. Mechanisation has lessened the scope of employment in this sector. Changing policies and regulations are the other barriers to the proper functioning of such traditional industries. Due to the recent increased demand for earthen ware products in the market, Keezhmad Khadi and Village Industries Co-operative Society (KKVICS) is on the path to survival and development. Since 2016, KKVICS has improved their business volume and is consistently making a normal profit. The ban on plastic has resulted in increased demand for pottery products in the market, which has created an opportunity for KKVICS to scale up their activities in the pottery sector for the benefit of their primary stakeholders.

Keywords

cooperative society, village industries, pottery

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Introduction

The self-sufficient rural economy was a noble idea of Mahatma Gandhi. According to him, “the village economy cannot be complete without the essential village industries such as hand-grinding, hand-pounding, soap-making, paper-making, match-making, tanning, oil pressing, etc.” (Gandhi, 1941:13). The village community has an important role in strengthening the economy of India. In the present scenario, it is evident that those existing village industries face challenges in moving forward. The scarcity of raw material, obsolete technology, the new generation’s unwillingness to enter this field, the shortage of proper financial support and deficiency of marketing tactics are the major issues encountered by the village industries in Kerala. Pottery is one of the traditional segments under the khadi and village industry struggling to sustain itself amid the prevailing stagnancy in this sector (SPB, 2017). The protection and promotion of this traditional sector are critical to creating stable employment opportunities for the people dependent on pottery making. The current study tries to understand how village and cottage industries play a significant role in envisaging the vision of the Gandhian model of generating employment and how KKVIC transformed itself into a profitable venture by adopting strategic reforms, as depicted through a case study.

Gandhian Views on Village Industries

The Gandhian vision of self-reliant village (Gram Swaraj) forms the basic building block for a sustainable local economy. Gandhi realised that to achieve the goal of self-sufficient village republics, the revival of rural industries was essential. In 1934, he created the All-India Village Industries Association (AIVIA) to work towards a model of non-exploitative rural industrialisation. “I have no doubt in my mind that we add to the national wealth if we help the small-scale industries. I have no doubt also that true Swadeshi consists of encouraging and reviving these home industries...It can also usefully employ hundreds of youths in the country who require employment” (Gandhi, 1958:5). The pathways for realising self-reliant villages are the protection and promotion of village industries (Gramodyog). The Sarvodaya plan, embodying Gandhian principles adopted by the construction workers at Wardha in 1950, had envisaged the scope of a cooperative form of organisation for village industries. “In decentralised industries, the instruments of production will be owned either individually or cooperatively” (Sinha, 1970:122).

In the present era, in spite of the prevailing stagnancy in village industries sector, a few village-based traditional industries are accomplishing great success following the Gandhian vision of self-reliant villages. The Khadi and Gramodyog Sahakari Utpadana Sangha, located in Hudli village in the Belagavi district of Karnataka, began as a Khadi Campaign in 1937 and has currently emerged as an effective cooperative venture. Even though they had faced many challenges to move forward with the Gandhian vision of rural development, the agency became successful in creating a profitable enterprise in the food-processing sector, with its focus on women empowerment and the prevention of migration from villages to cities by generating ample employment opportunities in the villages (Prajna, 2018). The Charaka Co-operative Society linked to Shramajeevi Ashram in Heggodu village in Karnataka is also a Gandhian Khadi collective which has been functioning for the past 25 years. The agency employs 200 women from the surrounding villages and 500 more in other parts of Karnataka. It has a turnover revenue of Rs. 60 million annually (Vivek, 2019). The members of the agency earn a standard income for their work and their products have created a great demand in the fabric market. Such grass-roots level *Khadi* and village industries cooperative societies are the foundations for building up sustainable local development according to the Gandhian vision of self-reliant villages (Vivek, 2019). Keezhmad Khadi and Village Industries Cooperative Society (KKVICS) is a village-based enterprise formed in 1943 to promote the welfare of pottery workers in Keezhmad village in Kerala.

Overview of Keezhmad Khadi and Village Industries Cooperative Society

Keezhmad is a village in the Ernakulam district of Kerala, located 3 kms east of Aluva town with an abundance of green foliage and paddy fields. The fertile land of Keezhmad is suitable for all food crops as well as for cash crops like rubber. The proximity of the Periyar river, the lifeline of Kerala, makes this land fertile. Keezhmad Khadi and Village Industries Cooperative Society (KKVICS) was established in 1943 and registered under the Kerala Khadi Village Industry Board. The functional area of KKVICS is limited to Keezhmad Grama Panchayath in Ernakulam District (KKVICS, 1943). This society was formed to protect the interests of pottery manufacturing workers of the Velar Community of the locality whose traditional occupation was linked to pottery. KKVICS has two important

divisions dealing with pottery production, which include the Village Pottery Division pertaining to production by a cluster of families from the Velar community, followed by a Company Division confined to mass production.

Origin and Growth

Pottery making was the traditional occupation of the Velar community in Keezhmad village. They have been confronted with multiple hardships and exploitation from traders and other intermediaries in the sector who procured their products at a very low price. Realising the miserable situation of the Velar community, Mannanath Makkar Pillai, a prominent industrialist in Aluva, took the initiative to establish a cooperative society for pottery workers in the locality. In 1943, Vividodhesa Sankham (a multipurpose group), was established with 50 founding members from the Velar community with an initial capital of Rs. 500 (KKVICS, 2016). In the initial period, the membership was restricted to the pottery workers of the Velar community, but to overcome the financial difficulties membership was opened to all pottery works in the region to enhance the share capital, business volume and the membership base of the society.

In 1980, the Khadi Board had implemented projects to provide financial assistance to set up tile factories in the cooperative sector. KKVICS received the grant and consequently started the co-operative tile factory in 1983. During the initial phase, KKVICS was able to foster the business by making a reasonable return, resulting in ample employment and income for the workers in the factory. From 1997-98, the demand for tiles had decreased substantially with the changes in the construction sector. The demand for concrete buildings and structures became much popular with a steep decline in the demand for roof tiles. The decline in the demand for tiles and allied products had badly affected the KKVICS. Most of the tile factories established in the cooperative sector under the Khadi Board project were closed down due to subsequent financial losses and allied problems in the industry. The major activities of the cooperative society include financial support for purchasing clay and other raw materials for manufacturing various pottery products, the sale of fertilisers for promoting household farming activities and setting up fair price consumer stores for the members. The members engaged in the manufacture of various pottery products were bound to supply the same to the agency and the marketing of the products was undertaken by KKVICS. The organised marketing of pottery products under the banner of the KKVICS has ensured a stable market

for pottery products.

The cooperative society provided the basic infrastructure facilities for the potters who work in the Village Pottery Division. Facilities included machinery for mixing clay, the procurement of raw materials, work sheds and so on. KKVICS has generated profits by selling its products at a 20 per cent margin of which 12 per cent was given back to the potters as a bonus and 8 per cent retained for meeting the administrative and other overhead expenses of the society. KKVICS policy makes an obligation for the Village Pottery Division to deliver all the finished products having worth more than Rs. 100 to be traded through KKVICS (KKVICS, 1943).

The Survival Strategy of KKVICS

With the emergence of concrete roof construction and the availability of cement without restriction, the demand for roof tiles declined drastically and affected the operations of business houses operating in the roof tile industry. Hence, the cooperative society started to incur huge financial losses consecutively for many years, drastically affecting the socio-economic conditions of employees. Due to the unprecedented market conditions, challenges and financial commitments, KKVICS was forced to adopt a turn around strategy. To ensure its survival by the beginning of the year 1998, the society formulated a few competitive action plans for the following years. It was decided to drop the production of roof tiles and step ahead into a potential market of 'Home Décor' items and 'Earthen Vessels'. The society hired employees who were skilled and competent and introduced piece wage systems to enhance productivity. Workers composed of both skilled and unskilled sets of people, of which skilled workers focused on making the finished products, semi-skilled and unskilled workers engaged in making the clay suitable for production and other allied activities. Skilled workers were paid based on productivity (piece wage system) and others on a daily wage basis. Currently, the society employs 50 workers of which 17 workers serve permanently and the rest temporarily. Three families serve in the village pottery division of KKVICS. The society was quite successful in attracting workers by highlighting job security and financial benefits such as the Employee Provident Fund (EPF), Employee State Insurance (ESI), Bonus and Gratuity, which was mandatory as per the Factories Act, 1948.

With the emergence of markets, changing circumstances paved the way to foster the demand for items made up of mud. Before the adoption of

strategic change, KKVICS did not have a particular marketing strategy for its products, hence they had to be confined to local stores or street vendors. Government policy played a vital role in the emergence of the garden pot industry and the society started to receive bulk orders from the Government of Kerala for the supply of pots at various Krishi Bhavans in Kerala. With the introduction of Haritha Keralam, a project meant for the promotion of self-sufficiency in vegetable cultivation and decentralised solid waste management, the demand for plastic growbags has declined tremendously thus paving the way for mud pots. By the beginning of 2018, the cooperative society decided to extend its business to Home Décor items (KKVICS, 2019) by procuring finished goods from West Bengal. With the introduction of home décor items, the sales of pottery started to progress considerably by converting KKVICS into profitable ventures, providing livelihoods to the local people and adding to local economic development. Diversification took a transformational mode when they turned to utensil making which includes glass, plates and pans made up of mud.

With the increasing acceptance of sustainability practices, many international hotels in Kerala started using utensils made up of mud for serving food and terracotta pots, garden pots, orchid pots, bonsai pots, flower vases and other pottery items for interior decoration. Markets emerged at both local and State level fetching orders from various clients with reasonable returns (KKVICS, 2016). By 2017, KKVICS ensured that they would have a proper holding facility for storing finished goods and exhibition units to display the sample products produced by KKVICS. KKVICS had a separate division dealing with microcredit and eligible members can avail themselves of loans with the prior approval of the Board of Directors. However, in case of an emergency, the president has the power to grant loans with the recommendation of the secretary. The governing board has to ratify such decisions in the succeeding board meeting (KKVICS, 1943). KKVICS accepts investment from members and non-members, but priority is given to the members. The society mainly accepts six deposits, which include fixed deposit, recurring deposit, forced deposit, treasury deposit, savings deposit and provident fund deposit (KKVICS, 1943).

Financial Performance of KKVICS

KKVICS played a pivotal role in the economy of Keezhmad, Erumathalaby generating employment for the unskilled and semi-skilled workforce and played a crucial role in enhancing their standards of living. At the initial

level, the society was engaged in the production of roof tiles trailed by house hold utensils made up of mud by deploying indigenous technology and a semi-mechanised mode of production. Until 2015-16, the society incurred huge financial losses. The society went for a turnaround strategy by investing in plants and machinery, working sheds and display units in the office premises. Thereby the society started to generate profit from the financial year 2016-17 (Table 1). It was quite evident that the sales expanded substantially, with major profit contributions from the Company Division (Table 2). By the beginning of the financial year 2016-17, sales zoomed to a higher level due to changes in the government policy to give priority for mud pots instead of growbags (Tables 3 and 4, Figures 1 and 2). Profits from the Village Pottery Division declined in the financial year 2018-19 due to the focus on the production of items worth less than Rs. 100, which the craftsmen can directly sell to customers without involving KKVICS. Typically, the society works in an industry, which has to hold a substantially large measure of stock. The society implemented a strategic plan to enhance productivity by introducing a piece wage system instead of a monthly wage system for skilled workers and it has reported higher productivity in the Company Division. An increase in the cost of raw materials such as clay and firewood was one of the major challenges faced by the society (Tables 5 and 6). From the financial year 2016-17, the Society generated a profit which was distributed among the shareholders in the form of a dividend (Table 7).

Table 1: Net profit/loss

Particular	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Amount (Rs.)	(1,531,790.95)	(304,558.85)	(815,183.4)	165,192.92	450,245.29	1,401,635.97

Source: Annual Reports.KKVICS 2017, 2018 and 2019.

Table 2: Net profit/loss from Company Division

Particular	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Amount (Rs.)	(684,816.45)	603,149.35	364,416	1,169,274.5	1,092,297	1,359,033

Source: Annual Reports.KKVICS 2017, 2018 and 2019.

Table 3: Net profit/loss from Village Pottery Division

Particular	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Amount (Rs.)	56,086	128,730.4	45,853.4	42,538.92	177,223	16,310

Source: Annual Reports.KKVICS 2017, 2018 and 2019.

Table 4: Sales

Particular	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Amount (Rs.)	8,186,079	9,141,798.75	8,482,818	10,208,225.55	14,293,281.2	14,492,610.22

Source: Annual Reports.KKVICS 2017, 2018 and 2019.

Table 5: Raw material cost

Particular	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Clay (Rs.)	3,661,378	687,053	1,045,976	1,236,856	2,828,416.5	4,872,349
Firewood (Rs.)	872,233	1,085,788	1,029,840	1,096,495	1,084,060	1,289,098
Lubricant (Rs.)	64,618	56,965	52,350	72,245	61,742	66,859

Source: Annual Reports.KKVICS 2017, 2018 and 2019.

Table 6: Excerpt from Audited Financial Statement of KKVICS

Asset	2013-14 (Rs.)	2014-15 (Rs.)	2015-16 (Rs.)	2016-17 (Rs.)	2017-18 (Rs.)	2018-19 (Rs.)
Cash in Hand	35,108.45	21,339.7	-	41,253.32	8,420.37	31,884
Bank Deposits	707,727	690,809	674,758.75	1,490,349.33	583,102.57	1,090,777.54
KSD Loan	1,470	1,470	1,470	1,470	1,470	1,470
Investments (District Bank)	100	100	25,000	25,000	25,000	25,000
Cash Reserve	1,177.04	1,177.04	1,177.04	1,177.04	1,177.04	1,177.04
Ordinary Loan	12,768.56	12,768.56	12,768.56	12,768.56	12,768.56	12,768.56
Share Capital	9,000	9,000	9,000	7,500	7,500	7,500
Loan						
Outstanding Interest	38,698.14	38,698.14	38,698.14	38,698.14	38,698.14	38,698.14
Income (Other Source)	96.41	96.41	96.41	96.41	96.41	96.41
Equipment	1,519,901.71	1,524,901.71	1,529,401.71	1,533,481.71	1,533,481.71	1,535,981.71
Office Equipment	279,950.42	217,475	222,775	222,775	222,775	235,175
Other Equipment	-	279,950.42	279,950.42	279,950.42	279,950.42	279,950.42
Plant & Machinery	-	-	-	68,912.8	68,912.8	88,215.16
Building	327,060.98	454,634.98	454,634.98	722,556.98	1,265,076.98	883,088.98
Work Shed Construction	-	-	-	-	-	114,066
Compound Wall	-	-	-	-	-	267,922
Land	2,608,386.68	2,608,386.68	2,608,386.68	2,608,386.68	2,608,386.68	2,608,386.68
Closing Stock	2,098,934	2,246,118.5	1,,720,968.4	1,543,107	1,023,666.4	4,488,374.16
Shortage in Stock	556.81	556.81	556.81	556.81	556.81	556.81
Advances	4,351,144.65	4,598,701.9	4,888,810.6	5,152,762.11	7,237,333.17	5,901,977.05
Net Loss	1,531,790.95	304,558.85	815,183.4	-	-	-
Total	13,523,871.8	1,301,0743.7	1,328,3636.9	1,3750,802.3	14,918,373.1	17,613,065.7

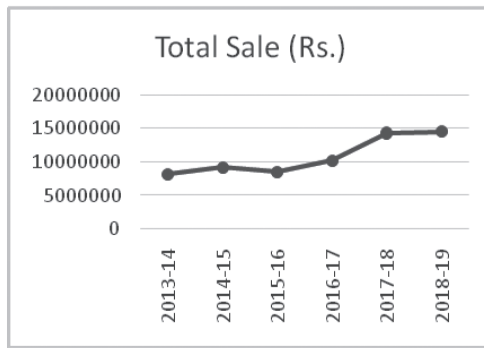
Source: Annual Reports.KKVICS 2017, 2018, 2019

Table 7: Distribution of dividend

Particular	2016-17	2017-18	2018-19
Dividend (Rs.)	32,109	29,237.6	39,297
No shareholders	1,407	1,415	842
Profit per share (Rs.)	22.82	20.66	46.67

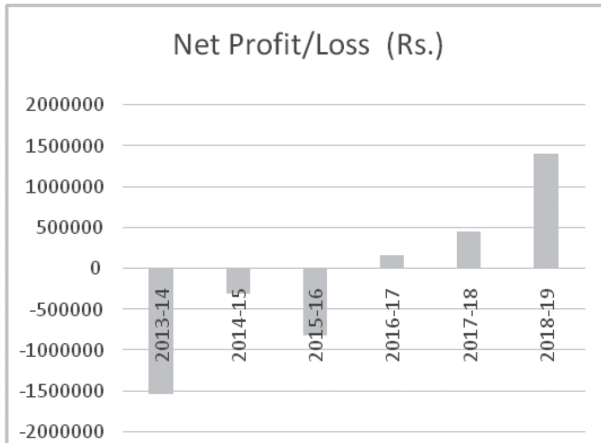
Source: Annual Reports.KKVICS 2017, 2018 and 2019.

Figure 1: Sales, 2013-14, 2018-19, KKVICS



Source: Annual Reports.KKVICS 2017, 2018 and 2019.

Figure 2: Profits, 2013-14, 2018-19, KKVICS



Source: Annual Reports.KKVICS 2017, 2018 and 2019.

Major Challenges faced by KKVICS

Before the introduction of the Kerala Conservation of Paddy Land and Wetland Act, 2008, KKVICS bought two acres of paddy land to source the supply of clay for its manufacturing units. The enactment of the Act had imposed a sturdy restriction on the mining of clay from the paddy fields. The availability of clay, which serves as the major raw material used in the production of pottery, is no longer available in the State in which the company currently operates. The acute shortage of clay and restrictions on its import from other States has affected the regular production at small and large-scale tile manufacturing units in Kerala (*The Hindu*, 2017). The unavailability of clay has put the livelihood of the potter community in unwarranted distress in Kerala (*Mathrubhumi*, 2016). The situation has forced KKVICS to purchase clay from other States at a high cost. Karnataka and Tamil Nadu serve as the major suppliers of clay, with a price ranging between Rs.2 to 2.5 per kg of soil. Over the span of few years, the cost of clay has almost doubled at an average rate, making the raw material expensive, forcing the artisans to leave the industry unwillingly. Followed by the decline in the availability of the raw material, marketing is the next problem that KKVICS faced which was a great challenge. KKVICS cannot afford to grab the opportunity of online platforms due to the peculiar nature of products that they deal with, i.e. loss due to damage during the course of transit which curbs their access to e-platforms for sales. KKVICS does not receive proper financial aid from the central or the State governments. The availability of a skilled work force is the next problem faced in the industry followed by the unavailability of ideal technological advancement. These challenges have forced KKVICS to stick with the indigenous, traditional mode of pot making with the diversification of products to seize the opportunity that occurred out of the green initiatives in the State of Kerala.

Conclusion

Village industries play a pivotal role in the economic progress of society at the grass roots level. KKVICS has envisaged the vision of Mahatma Gandhi on village industries in the various phases of its development. At the inception level, KKVICS started production with

roof tiles, followed by diversifying the business operations to home décor and various pottery products. Adopting a strong turn around strategy was the requirement to ensure the survival of the organisation. It also dropped the production of roof tiles, started a piece wage system to enhance productivity, implemented a semi-mechanised mode of production, formulated welfare measures to retain and attract the workforce and aligned the business and operations as per the requirements of the industry. These measures have helped KKVICS to close books of accounts showing profits. Changing government policies and guidelines paved the way for KKVICS to grow businesses to greater heights. Currently, KKVICS accommodates 750 members, houses 50 workers, transformed operations on a par with the industry and started to report profits with a dividend pay-out of 25 per cent. KKVICS played a vital role in enhancing the standard of living of workers and set the identity of the industry. KKVICS is a prominent example of a village and cottage industry that supports rural livelihoods, value creations, sustainability and local economic development.

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