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A Comparative Analysis of Gram Panchayats in Kerala

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R. Vipin Kumar[i]

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% to 40% of state plan fund to LSGIs was expected to be supplemented with household savings and to be channelised into the production to revive the stagnant productive sector of the economy. The present study maps out experiences of two Gram Panchayats in their intervention in the manufacturing sector. The study observed that Vellanad Gram Panchayat could effectively intervene in the manufacturing sector while Aryanad Gram Panchayat, the Gram Panchayat in the neighbourhood of Vellanad Gram Panchayat failed miserably. A comparative analysis of the mode of intervention of two neighbouring Gram Panchayats in Kerala revealed that commodity characteristics played a pivotal role supplemented with organisational skills influence the outcome of intervention of LSGIs in the production sector. However, either from state level or from District Planning Committees (DPCs), there were little efforts until now to scientifically drawn out road map on type of commodities in which LSGIs could effectively intervene. Ultimately, lack of specific directions from the higher level has culminated into a near total exhaustion of the small capital available with the households, who were lured into the LSGIs-led nascent entrepreneurship. 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; Grama Panchayat; Kerala

JEL Classification: **P41**; **P42**; **H79**

Introduction

The state of Kerala stands unique among other states in India in the scale and extent of devolution of power and resources to local governments after the introduction of 73rd and 74th Constitutional Amendment. 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 long stagnated production sector in the state. An important economic agenda of launching Peoples' Plan in Kerala was the revival of the crisis inflected regional economy, particularly the production sector in the beginning of the 9th Five Year Plan. It was sought to be achieved by devolving 35 % to 40 % of the state plan fund to local bodies with a clearly spelt out guidelines for its utilisation. 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 is based on a primary survey of people associated with the microenterprises. To an extent, snow ball sampling method was employed to identify activities engaged in the enterprises in Vellanad and Aryanad Gram Panchayats (GPs). The data from primary survey was supplemented with unstructured interviews with political and social activists in the locality. Could a GP or any local body effectively get it launched into the production arena negating the principles of the market? How the organisation of production under the tutelage of LGSIs is different from a market based production of private capital? What are the enabling and disabling factors for a LSGIs 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 Aryanad GP in its Food Product Manufacturing Unit (FPMU) and Agriculture Product Trading Centre (APTC) in Vellanad GP are discussed in section three. In section four, similarities and dissimilarities in the experience of sample GPs are analysed and concluded.

Section I

1. Democratic Decentralisation and Intervention in the Productive Sector

A word is in order in this context to place the augmented role of LSGIs in the production sector under democratic decentralisation. There are competing paradigms on democratic decentralisation initiated in the early 1990s in India. Although there exist different viewpoints within each paradigm, prominent among them are: (i) the neo-liberalist view on decentralisation; (ii) Post-Marxist approach to decentralisation; and (iii) the left approach to democratic decentralisation. In this context, a distinction has to be drawn between democratic decentralisation and decentralisation on which major theoretical debate hovers around. In the case of the former, the local governments are endowed with state fund with full-blown autonomy to decide up their course of action with minimal or no intervention from higher order of the administrative hierarchy. Contrary to it, decentralisation is viewed as an administrative reform which does not involve political decision making autonomy but a sheer transfer authority to implement a programme designed from above. The decentralisation process is therefore called agency function of the LSGIs. To a great extent, the neo-liberal view on decentralisation or what is called decentralisation at the firm level draws close analogy with the version (Patnaik, 2001). As auxiliary to decentralisation process in developing countries, Self-Help Groups (SHGs) were promoted to decentralise the production process to tap cheap labour power, particularly the women labour who had not yet been introduced into the labour market, for the production of large industrial houses in the country. Participation in this context was defined technically as a mirage of attending meeting or deliberations which are pre-determined and designed. 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 (neo-liberalism) to deflate wage and extract maximum surplus (Mohan & Stokke, 2000). The Post-Marxist view on decentralisation, on the contrary argued that mobilisation of people with meta narrative theories such as class struggle and mode of production are ahistorical and not relevant in the present world. Other than means of production, there are a large number of other identities which work together to bring people closer (*ibid*). People living in an area may jointly share numerous deprivations and it brings them closer. The democratic decentralisation introduced in Kerala in the late 1990s was critiqued on the ground of deviating from mobilisation of people on their class identities. LSGIs promoted SHGs in every sphere of its developmental activities and it had contributed as mobilisations of people on identities other than class (Isaac, 2001). The Marxist school, on the other hand, argued that the democratic decentralisation introduced in the 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 & Franke, 2000). Under neo-liberal economic dispensation, economic and political freedom of the society has been subdued to the market and the on onslaught of the neo-liberal regime, is effectively countered by sourcing on resources endowment catering to the development needs of people at the village level with their active engagement rather than mere participation. As contrary to the neo-liberal view on decentralisation, democratic decentralisation process initiated in Kerala (Peoples' Plan Campaign), involved political, administrative and functional autonomy to LSGIs. In contrast to the neo-liberal version of decentralisation,under democratic decentralisation, 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 on microenterprises setup under democratic decentralisation in Kerala reported that majority of units failed to take off or died down within a year of its inception (Harilal, 2008). However, such generalisation do not reveal the issues of microenterprises with small capital and 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 9th Five Year Plan.

1.1. Stagnation in the Production Sector

The production sector of the state economy has stagnated for a long time since early 1980s, which in turn has considerably weakened the State's financial viability. This raised doubt on the sustainability of the much acclaimed *Kerala model of development* and posed serious challenge to spending on the social sector (Kannan & Pushpangatan, 1988). Although, cutting down the expenditure on social sector is unacceptable to any democratic government, the political leadership could not ignore the alarming sign raised from concerned quarters on the sustainability of Kerala model of development, which is built on a fragile material production base. However, strengthening of the material production base in a regional economy like Kerala needed huge public investment, which was uphill task for the state government. Against this backdrop the state government in 1996 took up the challenge of reviving the regional economy by attracting small savings and other resources available including manpower with peasants, farmers and other sections in the society, along with devolution of 35 % of state plan fund, to be converted into productive investment in the production sector (Isaac & Harilal, 1997). In the development drive, GPs have been placed as the pivotal unit of stimuli as GPs work closer to the people as 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 in 1996-97. However, only a few of them could outlive challenges and sustain.

Intervention in the secondary sector demands sizable investment, which the state government is unable to mobilise. Moreover, economic and political scenario in the Centre do not support propping up of manufacturing slots in the public sector. Against this backdrop that the LSGIs are promoted to intervene indirectly in the production arena with the objective of mobilising untapped local resources for promotion of micro enterprises and employment generation in rural area. Directing the rural local bodies to earmark 40% of its plan fund to productive sector in the 9th Five year Plan evolved out of this realisation. However, gradually, the allocation to the productive sector has been reduced to less than 10% during 12th Five Year Plan. In other words, successive governments in the state since 2001 have backed out from the avowed economic objective of democratic decentralisation in the state. The decline in the share of productive sector also affected allocation to industrial sector. The allocation to industrial sector constituted about 17% of fund available for productive sector projects in 2007-08, which had declined to 6.45 % in 2015-16. Moreover, more than 75% of fund allotted to the industrial sector was utilised in 2006-07, and it had declined to 42% in 2015-16. The annual growth rate in the plan fund expenditure in industrial subsector showed that there had been a decline in expenditure from the plan fund for the sector, barring two years; 2011-12 and 2014-15. On the contrary, annual growth rate in the overall expenditure of plan fund in GPs in the state registered a positive growth barring 2014-15. The trend revealed that the pace of promotional activity for industrial subsector under GPs had weakened over the years.

Section II

2. Profile of Vellanad and Aryanad Gram Panchayats

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 form the district headquarter. Aryanad GP has an area of 104.92 sq. Km while Vellanad GP has 22.19 sq.km. As 77.20% of area in Aryanad GP is under forest cover, the GP has a population density of 262 per sq.km, and the population density of Vellanad GP is 1404 per sq.km. According to 2011 census, Aryanad GP has a sex ratio of 1110 females per 1000 males, which is higher than the district and the state averages. The sex ratio of Vellanad GP (1057) is lower than the district and state averages. The literacy rates of both Vellanad and Aryanad GPs are on a lower side as compared to the district and state averages (Table 1). The proportion of Scheduled Caste population in these two GPs are lower than the district average while the proportion of Schedule Tribe population in Vellanad GP and Aryanad GP are higher than the district and state averages. Work participation rates of sample GPs with respect to total, male and female are higher than the district and state averages.

Table 1. Demographic Profile of Aryanad and Vellanad GPs in 2011 Census

Indicators		Aryanad GP	Vellanad GP	TVPM 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 1000 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
		10.47	6.58	11.30	9.10
		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; 2011c

Table 2 compares the workforce structure in Aryanad with Vellanad GPs. The work force structure explains the size of different components of surplus rural population available for micro enterprises in the GP. Important observation from Table 2 are: (i) cultivators constituted only 5.73 % and 4.05 % of main workers in Aryanad and Vellanad GPs respectively;

Table 2. Distribution of Workers in Aryanad and Vellanad GPs -2011 (in %)

Category	Aryanad GP	Vellanad GP	Tvpm District	Kerala
Main workers	63.54	77.80	80.30	74.80
Main worker - Male	77.09	77.83	76.96	75.52
Main worker - Female	22.91	22.17	23.04	24.48
Marginal workers	36.46	22.20	19.70	25.20
Cultivators (Main)	5.73	4.05	5.84	2.90
Cultivators - Male	91.49	92.67	85.43	85.23
Cultivators - Female	8.51	7.33	14.57	14.77
Agricultural labours (Main)	10.78	9.51	9.85	6.06
Agricultural Labours - Male	81.23	94.69	68.44	82.72
Agricultural Labours - Female	18.77	5.31	31.56	17.28
HIW (Main)	4.16	2.05	2.13	2.11
HIW - Male	56.38	61.84	66.63	67.47
HIW - Female	43.62	38.16	33.37	32.53
Other workers (Main)	79.33	84.39	82.18	88.93
Other Workers - Male	76.57	75.60	77.64	74.91
Other Workers - Female	23.43	24.40	22.36	25.09

Note: HIW- Household Industry Workers
Source: Census of India, 2011a; 2011b

(ii) proportion of agriculture labours to main workers in Aryanad GP (10.78%) was marginally higher than Vellanad GP (9.51%); (iii) relative size of household industrial workers in Aryanad (4.16 %) is much higher Vellanad GP(2.05%); The cropping pattern in Vellanad GP and Aryanad GP are more or less the same with a little edge in area under natural rubber in Aryanad GP.

Section III

3.1. Establishment of Food Product Manufacturing Unit in Aryanad GP

The origin and development of the FPMU in Aryanad GP can be classified under four different phases. The phasing is based on the crisis of the unit and its course of development into different venture. In effect, four different phases indicate different commodities produced over the years.

3.1.1. Phase I: *People* Brand- Diabetic Food

The industrial development projects under LSGIs were mostly confined to distribution of revolving fund to SHGs and imparting training for venturing micro enterprises either individually or with a group. However, the outcome of most of such industrial development projects implemented in LSGIs was not impressive (Govt. of Kerala, 2009). It was in that context that Thiruvananthapuram District Panchayat took the initiative to promote industrial production and marketing instead of granting financial support to self-employment schemes using plan fund. The District Panchayat (DP) planned to establish a network of food product manufacturing units and the project intended to provide employment to unemployed women by mobilising their small savings into productive investment. The FPMU under study was formed as ambitious project under the productive sector venture of the Thiruvananthapuram DP. The *Kudumbashree* mission was also roped in the production network of 17 food products manufacturing units in different GPs of Thiruvananthapuram district. The DP earmarked Rs. 65 lakh from its Development Fund and Rs. 4.9 lakh from its Own Fund for the network of food products manufacturing units during the 11th Five Year Plan.

The FPMU at Aryanad GP was established in April 2007. The GP started manufacturing diabetic food[ii] with 15 SHG members. The Initial capital for the unit was mobilised through share capital of its members supplemented with the revolving fund from *Kudumbashree*. The Aryanad GP provided the space for FPMU and the DP supplied the technology for diabetic food. A bank loan of Rs. 50000 was mobilised for the working capital. Members of the FPMU were imparted training for skill development for the diabetic food production. 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. However, it did not take much time for the DP to realise the challenges involved in the setting up of the manufacturing unit. The DP entered into an agreement with a private company, viz., Prowins Pvt Ltd, to market the products manufactured under the network of food product making units of the District

Panchayat. Products under the network were marketed under a single brand name called *People* to build up brand loyalty. Number of work supervisors were appointed and centralised advanced packing centre was established to ensure the quality of products. The FPMU in Aryanad GP made and agreement with the Prowins Pvt Ltd that the unit would supply the diabetic food at Rs. 35 per Kg. In the first month, the Prowins Pvt Ltd registered a turnover of Rs. 7 lakh from the sale of the product under the network of *People* brand and the diabetic food had a turnover of Rs. 27590. Although the diabetic food received its momentum in the beginning, the quality of the product under the network of *people* brand was widely reported to be inferior. As a result, within six months, the Prowins accumulated a stock worth Rs 6 lakh, which was dumped at its packing centre. Inferior quality of the food products forced a rally of cases against the Prowins. Subsequently, the Prowins and its dealers were withdrawn from the marketing of *People* brand and it eventually culminated into complete stoppage of *People* brand products.

3.1.2 . Phase II: Launching of Sauhrdaya Diabetic Food

The Aryanad GP Committee discussed the failure of diabetic food production of FPMU in Aryanad. It is not possible for Aryanad GP to make a large investment for the FPMU, but it decided to exploit the infrastructure facility made available by the DP for diabetic food production. It is mainly becuse the Aryanad GP had its constraints to deal with supply side bottlenecks of the FPMU. The Gram Panchayat Committee advised the members of

FPMU to take up the responsibility of marketing the diabetic food and the GP President and number of ward members also took initiative to ensure market for 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 *Sauhrdaya* brand for the first month of its operation was Rs. 3537. However, the diabetic food under the new brand could not be succeeded in the market and therefore the turnover of January 2009 fell to Rs. 1036. In the same month the unit stopped its production. Table 3 summarises category wise income and expenditure of the Diabetic Food Unit from April 2007 to January 2009. Important observations from table 3 are: (i) the unit recorded a sale of diabetic food of Rs. 1.04 lakh which is much lower as compared to the raw material cost of Rs. 1.44 lakh; (ii) the amount spent for establishment and maintenance of the asset was Rs. 2.52 lakhs and the cost was met with beneficiary contribution and aid from *Kudumbashree;* (iii) the unit booked a loss of 6.33 % of total receipt of the unit. The establishment charges mentioned in table 3 did not include the project money spent by the DP. It is also difficult to separate the amount spent for the establishment of diabetic food unit by Thiruvananthapuram DP because significant portion of the expenditure was for common infrastructure building under the *People* brand and the approximate amount calculated for the unit was Rs. 2.78 lakhs.

Table 3. Income and Expenditure of Diabetic Food Unit between 2007 and 2009

Income		Expenditure	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
Beneficiary Contribution	75655	Establishment charges and Maintenance of Asset	252879
Fund from *Kudumbashree*	212671	Raw materials	144720
Bank loan and Interest	51894	Salary	34616
Cheque from Prowins	90228	Bank charges and Loans	16244
		Electricity and Gas	8623
Sale of *Sauhrdaya* Diabetic food	10184	Membership cancelation	9613
		Stationery	1458
		Travel	368
Total	440632	Total	468521

Source: The Food Product Manufacturing Unit, Aryanad.

3.1.3. Phase III: 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 inadequate market was one of the major constrains of the unit. Since the GP had inherent limitation to create a captive market for all industrial products, Aryanad GP decided to incorporate the food product making unit with ‘supplementary nutrition programme through *Anganwadi'*. The GP had spent Rs. 8.5 lakh for the supplementary nutrition programme. The Gram Panchayat Committee consulted the authorities of Integrated Child Development Scheme (ICDS) in the Aryanad GP and decided to distribute Nutri-Laddu through *Anganwadis.* The unit was ordered to produce Nutri-Laddu for 33 *Anganwadis* of Aryanad GP. Although the Nutri-Laddu unit had 13 members, only eight members worked in the unit. The price of Nutri-Laddu was Rs. 2.50 per piece and the daily demand for the Laddu was 850 pieces. The Aryanad GP had also spent Rs. 99000 for infrastructure development of the unit during 2010-11. But Laddu making unit collapsed when the Aryanad GP had failed to offer the captive market for the unit.

3.1.4. Phase IV: Restaurant cum Catering Centre

The Aryanad GP Committee discussed the reasons for the failure of FPMU. As an alternative, it was decided to set up a restaurant cum catering service. The GP supplied land and provided fund for the procurement of infrastructure facilities. Thiruvananthapuram DP allotted Rs 12 lakh for the building of the restaurant from its plan fund. However, six of its members got other jobs and another member had shifted her residence to the nearby district on her marriage. The restaurant started in March 2012 with eight members turned workers and the catering unit usually opened at 9 am and closed by 3 pm. The restaurant opened six days in a week with a holiday on 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 50000 against an expenditure of Rs. 30000. On an average, every member received a monthly income of Rs 8000. However, the catering unit is the only unit among its four successive attempts to forge a living with 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.

3.2. Interventions in the productive sector: Experience of Vellanad GP

Important crops grown in 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, price of the major dry land crops, viz., coconut and rubber have fallen markedly. In order to find the means of survival, agricultural labourers, marginal and small farmers diversified to banana cultivation in wet lands (often leased on rent), as their counterpart did in other parts of the state. But the market for plantain and coconut in Vellanad GP were controlled by a few traders and their middlemen operated and made direct purchases from farmers at the cheapest rate possible particularly during harvesting season and sold to the traders at a higher price in the city markets.

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

Keeping the objective in mind, in October 2004, Vellanad GP organised a meeting of farmers at the GP hall, but dissolved without any major breakthrough in the deliberation. 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 Vellanad GP at a price fixed on par with the one offered by Vegetable and Fruit Promotion Council Keralam (VFPCK). Further, the procured plantains were decided to 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 banana and plantain at a lower price, which would leave the procured product in

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 do really matters to petty producers and they would invariably prefer to sell to a higher price if it is possible in the open market. If the procurement failed, then it would destroy the whole plan, proving harmful to farming community in the GP. On considering the issues likely to emerge, it was decided to go ahead with the procurement of banana 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. Fetching market for coconut within the village was rather difficult and, therefore, primary processing had to be carried out in the village. A factory was set-up to process coconut. The APTC was neither equipped to set up a factory nor did it have adequate expertise.

To begin the operation of APTC, a 60 member farmers' committee was formed with an elected board of directors. Agricultural Officer and the President of the Vellanad GP 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 Vellanad GP.[iii] 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 Vellanad GP could sell their farm produce to APTC but for membership in APTC one should register with Rs 10. However, the voting right and eligibility to contest to the board of directors was restricted to those who had sold not less than Rs. 5000 of banana to APTC in 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 APTC and a share is valued Rs. 250.

3.2.1. Mode of Operation of APTC

As soon as APTC started its operation, it could realise the trouble that was in store. It did not have sufficient working capital to procure banana from farmers as time lag between procurement and sale increased the quantum of the working capital required. Moreover, local middlemen, vendors and merchants joined hands and hatched up strategy to cripple APTC in its infancy by preventing the traders from the city market buying banana from the APTC. It further complicated the issue as ripened banana and other plantain could not be stored at all resulting in substantial loss. APTC director board members resisted the counter move by the vested interest group in the GP by mobilising Rs. 50000 as working capital without interest to tide over the impasse and succeeded in their endeavour. Ripened banana and different varieties of plantains were sold to the local vendors at a lower price while a portion of the banana was sold to local people by way of campaign. It could give much needed publicity to the new venture. Marginal and small farmers brought small quantity 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 of its inception, in spite of the hurdles, APTC functioned smoothly gaining the confidence of both farmers and traders. In the second year of its operations, the Vellanad GP granted Rs. 30000 as revolving fund for the APTC.

The administrative and operational expenditure of APTC was met from the commission it had collected at the rate of 3 % from the value of the produce of its members, of which, APTC retained 2 % for administrative expenses and the remaining 1 % was returned to the farmers as bonus every year. From 2009 onwards, 5 % was deducted from the value of produce to give a higher amount as bonus (3 %), which, in a way, was a sort of forced saving for farmers. Every farmer member was provided with a pass book in which the transactions were entered. It was meant mainly to keep the farmers informed about the amount they entitled to bonus. The bonus was based on the amount of sale made by the farmers to the APTC in the preceding year. A good number of farmers received maximum bonus amount of Rs. 6000. The operating cost of the APTC (plantain section only) included monthly salary 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. 10000 and Rs. 8500 respectively. In addition to it, workers are paid one month salary as festival bonus in a year. Further, Vellanad GP has entered into an agreement with the head load workers in the village to allow the farmers and traders to load and unload their produce at the marketing place on their own and therefore the farmers and traders need not pay head load charge.

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 APTC, who render voluntary service for the last thirteen years is at the helm of affairs of 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 (banana and plantain) should not only be accurate and unbiased but any dispute, if at all it arises, need 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, APTC became a hub of activity in the wee hours of the day. Within a period of six months, the local market for plantain was literally closed down to the bewilderment of the middlemen. Now that the rural village market for banana and other plantain have virtually ceased to exist, local vendors and trades from the city are left with little option but purchase plantain from APTC. The class of middlemen has virtually been reduced to a non-entity in the Vellanad GP. Traders and merchants too are appreciative of middlemen extinction as they do not have to do bargaining now. Now the household in Vellanad GP too get plantain and banana of the variety they prefer at an affordable price without bargaining. Moreover, anyone can book 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.

3.2.2. Activity Expansion of APTC: Formation of Coconut Procuring and Processing Unit

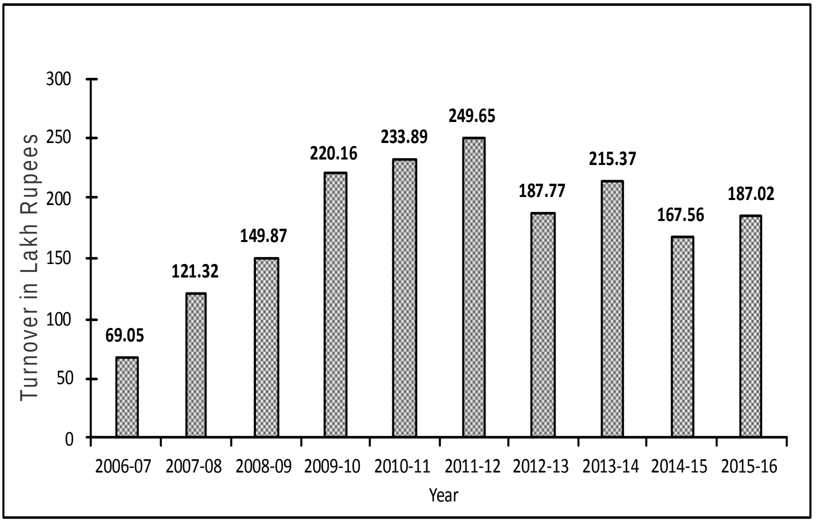
In terms of area under cultivation in Vellanad GP, coconut has the maximum coverage. Coconut farmers in Kerala face multiple problems like declining productivity due to plant disease and falling price which is primarily on account of liberalised imports of edible oil from abroad. Besides such problems 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 Thiruvananthapuram district, to a great extent, is controlled by the caste group, *Vaniyar*[iv]. Coconut traders have not only formed a cartel to fix the price of coconut and the price is much below the published open market price and the farmers have little option but 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 to find a way out for the trauma in the local market for coconut consistently through Gram Sabha.

Receiving impetus from the success story of banana and other plantain procurements, APTC took up the challenge of procuring coconut in 2007. Compared to plantain, 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) do make its transportation to the local market rather difficult. Intervention in the coconut market by APTC posed several problems such as: (i) coconut cannot be sold as quickly as banana; (ii) in the village, more than 70 % of the households have some quantity of coconut production at home, which to a certain extent is sufficient for home consumption; (iii) however, not even 1 % of coconut farmers process coconut at home to extract oil, for which they depend the open market (unlike other states, coconut oil is widely in cooking in Kerala); (iv) 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, 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 APTC convened on 9th February 2007 resolved to intervene in the local market for coconut and in the same month, APTC extended its operation to coconut market too. For farmers, it was a great solace become the system existed in the village for coconut traders was dubious in many ways. Often, the traders visits the coconut field or the resident of the farmers and fix a rate for the coconut, and the rate is fixed for 100 coconut, irrespective of the quality and weight of the produce. Moreover, the amount is under paid after a week or a month. Against the fraudulent practice that the APTC resolved to bring in transparency in 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 into 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, 2000 kg to 2500 kg of coconut could be collected in the centre in 2007. The price was fixed slightly on a higher side as compared to market rate published for coconut in the newspaper. During the lean season APTC could collect 700 to 800 kg. Coconut is sold from the centre at a price 5 % higher than its buying rate, which is inevitable to run the centre with minimum profit because the weight of the coconut get reduced as it dries. The administrative cost is met through the 5 % commission deducted from farmers.

3.2.3. Coconut Processing Unit under APTC

Processing of coconut has become a necessity for APTC as the accumulated coconut could not be sold out. Setting up of a processing unit cost a capital expenditure of Rs. 96000 for drier and oil extracting machine cost of Rs. 2.5 lakh. The capital expenditure was met in part from plan fund of Vellanad GP and partly from bank loan. The GP permitted the APTC to set-up its factory in free of cost in the land where public market also functions, which in turn improved the accessibility to the centre and also enabled APTC to give wider publicity among the farming community in the GP. In the coconut collection centre, 5 persons are working with a monthly salary ranging between Rs. 6000 to Rs. 8000. The Thiruvananthapuram DP has provided Rs 10 lakh as working capital, Rs 5 lakh for expansion of building and another Rs 5 lakh for the installation of oil purifier cum bottling plant in APTC between 2013 to 2016. The Vellanad GP has provided a carrier vehicle worth of Rs 5 lakh in 2013 to APTC to collect plantain and coconut from different locations in Vellanad GP and transport the same to city market. On an average, 47 farmers had sold coconut to APTC in the lean season and their number increased to 75 in the peak season per day. On an average, 200 kg of coconut oil was sold at the rate of Rs. 120 per kg and the price was slightly on a higher side as compared to market rate while the quality of the oil was set 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 unadulterated. In large scale oil processing factories, 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 APTC, a by-product of coconut processing, too fetch a better market. However, quantity of coconut oil extracted from coconut is marginally on the lower side as compared to commercial plants for reasons of inexperienced workers in raw material preparation. APTC now sells coconut, coconut oil, coconut cake and shells. Now the local market rate for coconut has already been shifted to APTC and the village market for banana, other verities of plantain and coconut have seized to exist outside the APTC. Even a farmer, howsoever smaller the quantity of his produce is, can sell to and buy from APTC. Figure 1 shows the turnover the APTC from 2006-07 to 2015-16. As APTC started procuring coconut, in addition to its plantain business, the turnover has almost doubled in 2007-08. The turnover has increased year after year and reached its maximum in 2011-12. The trend in the turnover of APTC shows volatility after 2011-12.

Figure 1. Turnover of APTC



Source: APTC, Vellanad.

3.2.4. Effect of APTC on Farm Sector in Vellanad Grama Panchaya

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 leave its manifold manifestations every sphere of production irrespective of the place of origin of production. Before APTC was established, farmers in Vellanad GP were selling their produce at buyers' price and the local market for banana and coconut, two major agricultural produce in the GP, was controlled by traders and their representatives. Those acted in collusion and bargained with the farmers. A farmer from Vellanad

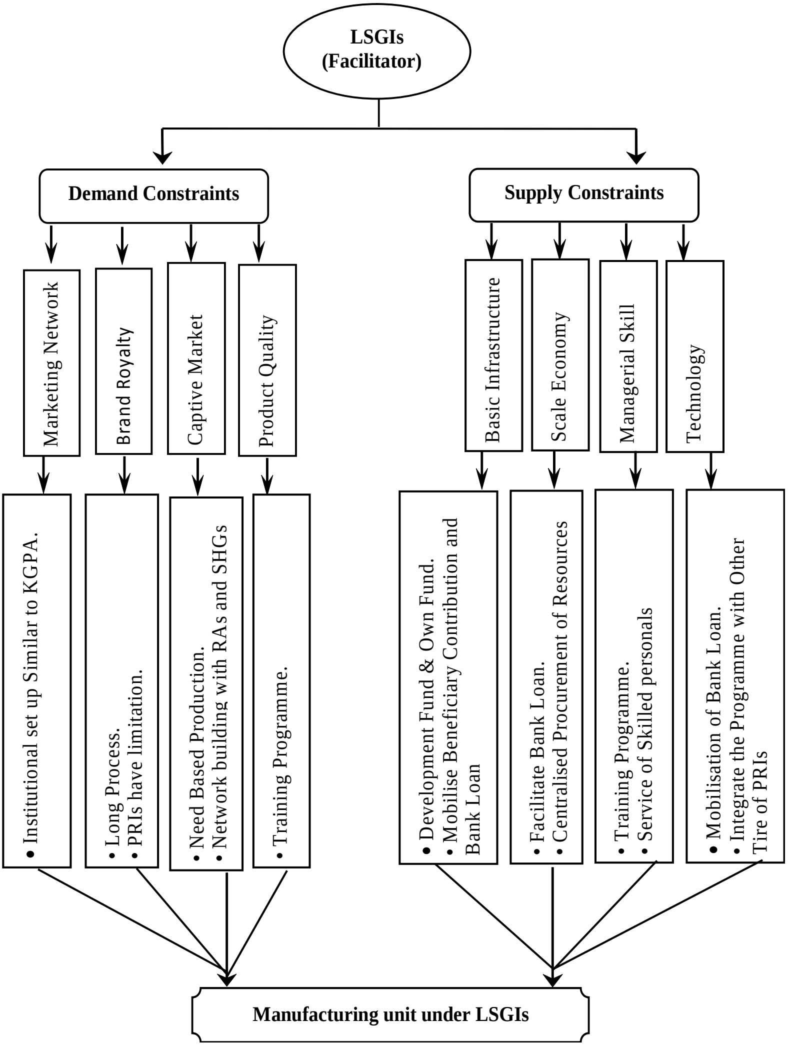
GP quipped, “I cultivate banana and other variety of plantains in leased land. Prior to the entry of APTC, often I used to sell my produce at a price which did not even cover the cost of production. Now I am selling to the APTC and receive a remunerative price. Moreover, I have leased in more land for banana cultivation” (Farmer, Vellanad GP, January 22, 2016). Vendors in the local market often buy coconut on credit and the payment would be made many months. At times, vendors refused payment to farmers ending up in scuffle. A farmers 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 purcahsed coconut on weighing it and spot payment is made” (Farmer, Vellanad GP, January 23, 2016). Even during lean season of coconut production, farmers reported to have sold their produce to APTC. The APTC also impart training to farmers on modern cultural practices while helping the farmers avail extension services through *Krishi Vigyan Kendr* (Farm Science Centre) and the agricultural office in Vellanad GP. Further, APTC is also planning to widen its market intervention in vegetable crops. Farmers believe, APTC could purchase coconut because it process the produce in the village and sell the value added coconut oil without any adulteration. The market for coconut oil of APTC has been fast expanding and even from distance places customers come to Vellanad to purchase the coconut oil from APTC.

Section IV

4.1. Comparison of 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 auspicious of the 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 constrains and stimuli operating from both supply as well as demand sides. The chart 1 graphically represent the constrains that a manufacturing unit usually encounter and the role of LSGIs. Important supply bottlenecks of a unit are: (i) setting up of basic infrastructure; (ii) scale economy in input procurement; (iii) service of skilled managerial staffs; and (iv) accessibility to and availability of Technology. The usual demand driven constrains of a manufacturing unit are: (i) marketing network; (ii) brand loyalty; (iii) carving out a captive market; and (iv) product quality. A LSGI could setup building and other infrastructure with its development fund supplemented with small savings from beneficiaries and bank credit. Centralised procurement of quality raw materials in a subsidised rate required an institutional setup to integrate the manufacturing unit with LSGIs. But it is not viable to have such institutions at a LSGI level since there are only a few industrial units that require support from LSGI. The options

Chart 1. Demand and Supply Constraints of Manufacturing Unit and Role of LSGIs



available to ensure skilled managerial services are: (i) entrepreneurial training programme for members of industrial units; and (ii) efficient and skilled man power in the vicinity of each LSGIs. A LSGI has limitation to build up a marketing network for products produced under its patronage. Brand loyalty building is a complex and long drawn out process. Therefore, LSGIs has limitations to intervene in the brand loyalty building process for any industrial product and it restricts LSGIs to supply captive market for all industrial products.

APTC in Vellanad GP deals in banana and varieties of plantains. Coconut and plantains have locational advantage in terms from its supply as well as its demand side. Conversely, FPMU in Aryanad GP did not enjoy any such locational advantage either from its supply or demand sides. The APTC in Velland GP was endowed with building, furniture, weighing machine and required working capital to procure plantains and coconut by the GP. As the centre expanded, it required machine like coconut drier, oil extractor and oil purifier cum bottling machine. The local bodies (both Vellanad GP and 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 the government. The setting up of infrastructure facility for FPMU in Aryanad was different. The infrastructure for FPMU was procured by the

Thiruvananthapuram DP. As a government institution, the DP had to follow the government procedure for the procurement of infrastructure facility for FPMU. As a result, FPMU received substandard quality of machine for production of food for diabetes. Members of the FPMU confirmed the poor quality of the machine especially roaster and multi mill. As the FPMU started the production of *Sauhrdaya* diabetic food, the Aryanad GP had limitations to install an advanced packing machine as it had financial constrains to mobiles huge sum of money for the purpose.

4.2. Location of the Centre and Marketing of the Product

The APTC started its working in the Agriculture Office of the Vellanad GP. The unit got its permanent building in Vellanad Public Market wherein trade in banana and coconut take place. Unlike the Vellanad GP, the food products manufactures by FPMU in Aryanad GP did not enjoy any such advantage either in the availability of raw materials or in the market for its products. The FPMU in Aryanad first started the production of food for diabetes under *People* brand. As explained elsewhere, the FPMU in Aryanad was part of umbrella food manufacturing units (17 units) in the district under the initiative of Thiruvananthapuram DP. The DP provided infrastructure facility required for the unites along with the support of GPs. However, there was no institutional set up for the large scale procurement of raw materials to gain economies of scale in input procurement. The FPMU in Aryanad procured raw materials from *Panachamood* market in Tamil Nadu. The *panachamood* market is located about 26 km away from Aryanad and the inferior quality of raw materials procured from the market affected the quality of the products. In the case of restaurent, 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.

4.3. Management of the Unit

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

4.4. Brand Loyalty Building

Commodity characteristic do influence viability of a product. Commodities with national and international brand loyalty is difficult to be marketed by local producers. Most of the packed food items available in the market enjoys established brand loyalty. For 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 FPMU in Aryanad GP,

Table 4. Advantages and Disadvantages of Vellanad and Aryanad GPs

Constrain	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 require sophisticated technology	Require sophisticated technology

Source: Author's Own Compilation

the diabetic food, or any other such products could not be sold because of the brand loyalty of the food products. Table 4 explains advantages and disadvantages of the APTC in Vellanad GP and FPMU in Aryabad GP

Conclusion

An important objective of decentralisation drive in Kerala was the rejuvenation of the crisis-inflicted stagnant regional economy, particularly the commodity production sector since the late 1970s. It was sought to be achieved by devolving about 35 % of the state plan fund to local bodies with a clearly spelt out guidelines for its utilisation. While devolving plan fund to LSGIs in Kerala, intervention in the productive sector was envisaged by mobilising small savings and attracting their fragile capital to be effectively utilised for furthering economic growth in the state. The comparative analysis of the mode of intervention of two neighbouring GPs, viz., Vellanad and Aryanad revealed that LSGIs had well-defined limitations imposed by a host factors, including globalised market, in making inroads into the production base of the local economy. A way out to overcome the structural rigidity of the market is to make a judicious selection of commodities in which LSGIs could effectively intervene. It was found that commodity characteristics defined in terms of its predominance with the national and international markets played a pivotal role in the intervention. It is particularly true of industrial commodities. On top of it, GPs lack exposure, experience in production and marketing. Although, considerable amount of plan fund could be invested in micro and small enterprises under the auspicious of the SHGs, the mortality rate measured in terms of the sustainability and economic longevity of LSGIs driven units were phenomenally high. It could primarily be attributed to non-prudential choice of products, lack of adequate expertise and managerial skill at the GP level. The failure of production ventures has destroyed small savings of the unemployed women, who were lured into the sector dreaming a prosperous future with sustained employment and income. However, there were cases of success too, though a few in number. In the light of the above discussion , the study recommends that there should be a prudential selection of commodities before venturing into the production sector at the GP level and the responsibility of the District and State Plan rests in identifying products for every locality fall under the mandate of the district to GP, 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 to identify the feasible areas of interventions in the productive sector for an effective implementation of democratic decentralisation

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Notes

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ii 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 having hypoglycaemic character. The product contains 17 edible ingredients like Wheat, four pulses, seven spices, Indian gooseberry, milk power, oil, salt and vitamin premix.

iii As per the plan guidelines issued for 10th Five Year Plan, LSGIs are not permitted to handover or extent financial help to organisation registered under charitable Act or as cooperatives. Therefore APTC is not registered with any statutory body but continue as self-help group of farmers and functioned under Vellanad GP.

iv *Vaniyar* is a sub cast in Hindu religion, who are traditionally a business community and in Thiruvananthapuram district they trade mostly in coconut and its by-products.

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Appendix

APTC Vellanad

Coconut Dryer and Oil Extractor in APTC Vellanad

Oil Purifier in APTC Vellanad

Women Restaurant in Aryanad GP