



An Economic analysis of prospects and challenges of Coir Industry

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Abstract:

Coir industry is an important agro-based, employment-oriented traditional cottage industry in India. India is a largest coir producer in the world accounting for more than 80% of the total world production of coir fiber. Kerala and Karnataka are the largest producer of coir and coir products in India. Coir Industry is an export and employment oriented industry, which originated in Kerala and is spreading to other coconut growing states of India. The value addition in products has been focused on the demands of export market. The future of coir industry depends on non-conventional products. The major problem that the coir industry faces today is lack of awareness of the production of value added products. Therefore the need of the hour is to create awareness and provide training, guidance and encourage the manufacturer to produce value added products out of Coir. This sector plays a vital role in employment generation and economic development. Coir sector is very diverse and dynamic in its nature. It involves households, co-operatives, NGO, Manufacturers and exporters. The private coir manufacturer is the major contributors to the export of the coir and coir products. Export of coir trade is dominated by private manufacturers, who have contributed 90% of coir exports and co-operatives and such government companies contributes to the remaining 10%. Coir industry provides employment opportunities and generates income to the people particularly in rural areas and thereby promotes country's economy. It is a labour intensive industry which provides employment to more than 7,00,000 persons (as on 31st March 2017, Annual report of Coir Board) of whom majority are from rural areas belonging to the economically very weaker sections of the society. In India, 8% of the coir and coir products are exported to foreign countries and remaining 92% is domestically consumed.

Key words: Coir, Employment creation, Export potential, Value added product, Rural areas.

Introduction:

India is the largest producer and exporter of coir and coir products. At present, coir and its products are exported to more than 80 countries, United States of America being the biggest market with a share of more than 40% of total export. Coir geo-textiles and pith are likely to be the major item slated to pick up substantially in the coming years. Coir pith has eco-friendly characteristics. They are being usually used for improving soil behaviours, preventing soil erosion, and in helping consolidation of soil and essentially to achieve soil conservation. The perspective issues relating to the industry is that coir industry plays an imminent role in providing livelihood opportunities for lakhs of workers by utilizing the discarded material of coconut. The industry also fetches crores of foreign exchange by exporting of coir and coir products. It is expected that the exports will cross more than 1000 crores by the end of 2020. Government of India is providing a number of assistance to the coir units in the form of subsidies and training to the coir entrepreneurs for promoting coir industry in India.

The Government of India is providing a wide network of developmental institutions for promoting coir industry in the country like Coir Board, DIC, TIIC, SIPCOT etc. "The District Industries Centre" has been acting as a nodal agency at pre-investment and post investment stages and providing all the essential facilities to small scale industries entrepreneurs under one roof. Employment opportunities being labour-intensive, coir industry provides self-employment opportunities to the people with small amount of investment and little efforts. It plays an important role in reducing unemployment and under employment problems. "The extensive improvement in the utilization of coconut husk from 50 percent to 60 percent will lead to employment generation up to 8,00,000 workers during the end of 2020". Entrepreneurship Development Coir industry is a great opportunity for the people to establish as well as to operate the industrial units without experience. It creates a good amount of savings and entrepreneurial skill among the people particularly in rural areas. Coir entrepreneurs also improve social welfare of the country. Thus, large amount of human resources is not only mobilized but also utilized by the coir sector for emerging as well as promoting entrepreneurship especially in rural areas and thereby improving the country's economy.

Coir industry generates income to the people viz., owners and workers. It generates more income to the entrepreneurs with low capital investment and less training. Further, it generates income to the people, who are engaged in coir industry. The Coir industry enormously contributes to reduce unemployment, to alleviate poverty, to improve the standard of living of the people, to provide income and to protect wealth of the people in the Indian society. It is the social uplift to the people especially those who are living below poverty line. Out of 80 percent of the women workforce working in coir industry, a major portion of them represents economically very weaker sections of the society. In India, alone, about half a million people depend on this industry for their livelihood.

The migration of people from rural to urban areas for employment and earning more income leads to many evil consequences like overcrowding, pollution, creation of slums, etc. These problems in the Indian society can be solved by establishing and operating coir industry in terms of utilizing local and available natural resources and bring about

dispersion of industries in various parts of the country and thereby promoting balanced regional economic development.

During initial stage, Coir industry was started as well as operated on traditional way. Now-a-days, it is an avenue for absorbing innovation. They also facilitate the transfer of technology from one to the other. As a result, the economy reaps the benefit of improved technology. At present, India exports 14 items of coir and coir products to more than 105 countries in the world and India has earned more foreign exchange through exports of coir and coir products to foreign countries. Indian coir and coir products have greater demand in the international markets due to its special features like colour, design, quality, uses, price, attractiveness and craftsmanship. Therefore, coir industries in India have potential for better overseas marketing. The government of India provides various assistances through Coir Board and DIC for promoting the coir industry in the form of subsidies and trainings. The subsidies include power subsidy, capital subsidy and machinery subsidy and tax concessions. Further, Government is conducting various training programmes to the coir entrepreneurs or the coir manufacturer for promoting coir industry. Special training programmes have been formulated for women artisans. Modern equipments would be provided to the trained women so as to increase employment and earnings.

PROBLEMS OF COIR INDUSTRY

Despite of favourable contribution to employment and income of the people and country's economy in innumerable ways, the Coir sector does not get the required support from the government, banks, financial institutions and other lending institutions in order to provide quality goods and services, to meet the competition, to create demand and to attract customers in both National as well as International markets. Even though the Coir Sector has potentials in India, they are facing a number of problems. The major problems faced by the coir industries in India are enumerated below.

- **Material Problems:**

Material is the basic and prime input to any industrial concern. The operation of the coir units depends on the availability of the coconut husk. Further, the coir units are facing several problems day by day in procuring and using the raw materials. Coir industry in India is suffering a number of material problems like non-availability of materials, shortage of materials, poor quality of raw materials and high cost of materials.

- **Labour Problems:**

Labour is one of the most fundamental factors of production, which determine the success of an industrial unit. There are number of unskilled workers engaged in coir units and their productivity is very low, when comparing other village industries. A major portion of the workers in coir industry are women especially in the spinning as well as manufacturing sectors and their productivity is very low when comparing men workers. Labour absenteeism, low rate of wages, labour turnover, routine work, low labour productivity are the major problems of labour in coir industry.

- **Financial Problems:**

The coir units have more borrowed funds rather than the owned funds for its establishment as well as operation purposes. These units depend on State Financial Corporations, Commercial Banks and Creditors for its requirements of both long-terms and short-term capital requirement purposes and have no access to other sources of long-term funds like capital markets. The financial problem of coir units is timely non-available of borrowings, higher rate of interest, security, bank's rigid procedures. The credit worthiness of coir borrowers is generally weak and therefore they face reluctant creditors who may be induced to lend only at a very high rate of interest.

- **Production Problems:**

Coir units are unable to compete with other small scale industries due to non-availability of modern technology. Most of the coir units are using traditional methods and crafts to the coir production. The traditional methods and techniques lead to low productivity. Thus, Poor labour productivity, machine breakdowns, low rate of demand, power cut problems and higher rate of power charges are the chief production problems of coir units.

- **Marketing Problems:**

Marketing of finished products is another major problem faced by the industrial units. A number of marketing problems faced by coir industry like transport expenses, salesman expenses, involvement of agent, middlemen charges, substitute goods, market rate fluctuations and inadequate storage facilities for coir and coir products are some of the hardships faced by the industry.

- **Infrastructure Problems:**

Inadequate infrastructure facilities are the major problems for slow growth and development of coir industries in India. Most of the coir units working in rural areas encounter several problems like lack of power supply, water, roads, communication, canteen facilities and transports. Therefore, the inadequate infrastructure facilities will affect both quality and quantity of coir production and that leads to under-utilization of machine capacity and natural resources.

STATEMENT OF THE PROBLEM

Coir industry in India is an agro based village and cottage industry which is affected by a large number of problems in the form of labour material, machinery, and finance. These problems may affect the growth and development of coir industry. Further it has great opportunity for investment, employment, production, workers, technology, marketing, productivity, profitability and earning more income. Which are different problems faced by Coir Industry? What are the future prospectus of this industry? How to fix those problems to enable it growth trajectory? To explore answers for these questions the above stated research topic has been chosen for the study.

NEED FOR THE STUDY

The study helps to know about the upcoming prospects that the coir industry has to utilise in order to acquire a favourable market and hence contribute to economic development. Moreover, this study is extended to find out the major challenges that the coir industry is facing to market their products. The purpose of the study is accomplished by suggesting advisable measures to overcome these issues.

OBJECTIVES OF THE STUDY

- To understand the functioning of coir industry in the country.
- To find out the various problems faced by the coir industry.
- To indicate the future prospects for coir industry.
- To study and analyse the suitable policy measures for further improvement in the coir industry.

Sources of data collection:

Primary Data: Direct interview method, Personal observation method.

Secondary Data: Journals, Magazines, Previous research projects, E-books, Websites.

Type of research: Descriptive Research

Sampling Technique: Simple Random Sampling

Sampling unit: The management personnel of the marketing department of different Coir companies.

Data Analysis: Simple percentage, Frequencies, Tables, Ranking method is used to represent the data.

Problem	Number of respondents	Percentage of respondents
Inadequate Finance	25	83
Total	30	100

Out of 30 coir company owners, who were interviewed, 25 of them opined that, getting the required finance is the major hurdle and face lot of impediments in getting the needed finance from financial institutions. It makes it to 83 percent of respondents have opined that inadequate finance is a major problem faced by coir mills.

Problem	Number of respondents	Percentage of respondents
Shortage of skilled workers	20	67
Total	30	100

Around 67 percent of respondents had an opinion that shortage of workers is a major problem. Even other coir mills located in the vicinity also faced similar problems.

Problem	Number of respondents	Percentage of respondents
Inadequate supply of green husks	10	33.33
Total	30	100

Out of the total number of respondents being questioned about the major inhibitions faced to operate the plant, almost 33% of the respondents replied that, inadequate supply of green husks is the major impediment. Here green husk is the main raw material from, which fibers are obtained for making coir product.

Problem	Number of respondents	Percentage of respondents
Traditional methods of fibre production	20	67
Total	30	100

More than half of respondents agree that traditional methods of fiber production is a major problem faced by industry in the marketing of its products. Older methods for the manufacture of the coir and its products act as a major threat that it consumes major time and money.

Problem	Number of respondents	Percentage of respondents
Erratic power supply	5	17
Total	30	100

17 percent of respondents find erratic power supply as a major problem in National Coir mills. Frequent power cuts during the summer season has been affected the industries to run properly. Respondents felt as major challenging problems that can cause production delays resulting in losses of fibers.

Problem	Number of respondents	Percentage of respondents
problem of drying fibres	15	50
Total	30	100

Coconut thrives in wet tropical climate. In the absence of preventing the coir materials from drying, and equipments to dry the fiber in required amount, it act a threat to product marketing.

Prospect	Number of respondents	Percentage of respondents
Entrepreneurship development	20	67
Total	30	100

Coir industry can create a good amount of savings and entrepreneurial skills among people from rural areas. It thereby improves India's economy.

Prospect	Number of respondents	Percentage of respondents
Promotion of exports	26	87
Total	30	100

87 percent of respondents agreed that promotion of exports is a major prospect for coir industry. Indian coir products have greater demand in foreign market due to its features and quality parameters. Therefore Coir market often could be broaden overseas. Even though a number of problems faced by the coir industry in India, it has various opportunities for further growth and development purposes. Coir industry has very wider scope for future prospects in terms of availability of coconut husks, providing employment, reducing unemployment, generating income, alleviating of poverty, improving standard of living of the people, creating great demand in both domestic as well as international

markets, developing entrepreneurship and promoting country's economy. Therefore, it is concluded that Government of India through Coir Board aims at promoting coir industry in terms of all the prospects available.

Suggestions:

On the basis of the findings of the study the following viable suggestions are offered for the improved performance of the coir units:

- Shortage of Workers is one of the problem faced by coir mill of the study area. Hence, it is suggested that the state government as well as the Coir Board may encourage the entrepreneurs to start manufacturing value-added coir products like mats, rugs, carpets etc., which will help them to earn more and enable them to pay attractive wages to their workers. If attractive wages are paid, more workers will be attracted towards the coir units even during the peak-agricultural seasons. Thereby, the major problem of shortage of workers may be solved.
- Inadequate Finance is a major production problem faced by small coir units. Hence, it is suggested that the government may encourage the Commercial banks, Co-operative banks and other financial institutions to offer loan facilities at subsidised rates of interest, especially to small coir units to meet out their working capital requirements during peak seasons.
- It is also suggested that the Commercial banks, Co-operative banks and financial institutions may conduct —Coir Loan Melas by considering their financial difficulties in operating coir units. By doing so, the above said problem may be solved.

CONCLUSION:

The coir industry was chosen for study because of its social and economic importance to the area. The industry employs vast numbers of disempowered social sections, mostly of the lower castes and outcastes, an overwhelming majority of them are women. Coir and coir products make good progress in the domestic as well as international market because of their unique qualities of durability, bio-degradability and eco-friendliness. At present, the industry gets a phenomenal share in the global market for the value added coir products. But improving value addition and access to technology and information would solve most of their operational problems. Based on the findings of the study, several viable suggestions have been offered. If these suggestions are properly considered and implemented by the concerned authorities, the performance of coir units in production can be improved.

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