

CHAPTER VI

THE ASSISTANCE OF R. I. D. A.

At present the most important function assumed by R. I. D. A. in the batek industry is the supply of bleached white cloth. The price of all the raw materials fluctuates except that of wax which is controlled and fixed by the two main suppliers, Shell and Standard Vacuum. The continuous provision of the raw materials, especially cloth which is the life-blood of the industry is vital. Irregular and inadequate supplies will cause disruption in production.

In 1959, the Authority was granted a tariff concession (1) by the Ministry of Finance for importing cloth for distribution to the East Coast batek producers. Under this concession, full exemption from duty was granted on imports of cloth produced in the Commonwealth and a partial exemption on cloth produced in the non-Commonwealth countries (at 10% ad. valorem). Before this, bleached whited cloth import had been subject to a rate of duty at 25% ad valorem.

The batek printers who had fought hard for the concession from the government, have hailed it as a bold step forward in protecting the industry against imports of cheap foreign batek. The tariff concession on white cloth is equivalent to a subsidy for the industry and it is expected to encourage its expansion.

Towards the end of 1959 the authority approved R. I. D. A. imports of cloth and a trading account with a ceiling of \$500,000 was allowed for the import of white cloth. In 1960 the first supply of white cloth under the concession was delivered at Kota Bahru for distribution to the genuine Malay batek printers.

(1)

Under section 13 (2) of the Customs Ordinance, 1952.

Since then the Authority has been supplying the industry an average of 100,000 yards. (per month) of bleached white cloth of superior grade at the retail price of 73 cents per yard. The price is about 20 cents cheaper than the open market price of a similar grade of cloth. The Authority had attempted to buy white cloth from the textile mill in Johore Bahru but they found it relatively expensive compared with imports from Japan and China.

Although this measure is taken with good intention there are some problems involved. First of all the provision of white cloth has geographical limitation. It includes the East Coast producers only. The Malay printers in the West Coast do not receive the benefit of this concession. Hence in order to stimulate the growth of the industry in the West Coast this concession should be dispensed to potential west coast Malay printers who can thus offset the higher costs of labour to engage in the industry.

Complete provision by R. I. D. A. may drive the large importing firms out of business, thus depriving the producers of a source of supply for capital. R. I. D. A. supply should, therefore, be progressive so as not to cause disruption in supply due to the discontinuation of operation of the large importing firms. R. I. D. A. should discriminate against the financially strong producer in favour of the weaker ones to strengthen their competitiveness. For instance, this concession is not likely to benefit the contract printers but may in fact, increase the profit margin for the middle-men who could obtain bleached white cloth from a cheaper source.

Marketing :

Marketing involves getting the finished product into the hands of the consumer from the producers. It is a vital link upon which the ultimate success of the industry is dependent. If the marketing channel is effective the price of the goodwill be reduced and the product will be distributed to more consumers than it otherwise could.

The market for the batek industry is mainly confined to the Federation and Singapore. Overseas markets are still untapped owing to the difference in consumers' taste, sales promotion techniques which presently cannot be cope with by the producers unless changes are effected to suit such requirements. Marketing in the batek industry means more than the usual activities involved of creating a link between the consumers and the producers because the marketing of 70% of the industry's production is closely connected to the supply of white cloth by middlemen textile merchants who have wide business contacts.

Marketing through Middlemen

In the batek industry the middle-man is normally both a supplier of bleached white cloth and a dealer in other textiles. He is therefore regarded as an integral part of the industry due to the financial control he holds over the printers and moreover his role is strengthened by his capital resources and his enterprise in the sphere of marketing. This control is complete in certain cases where he also finances purchases of other raw materials and even makes capital advances to certain producers who are unable to wait so long till their finished products are sold. Hence it becomes imperative that the producers sell their goods to the middle-man and even independent printers who have to rely on him. One of the selling techniques is to exchange the finished products for other textile like white cloth with dealers in Singapore and Kuala Lumpur. Thus it can be said that the middle-men thrive on the weaknesses of the producer and in order to free the producers from such control, these weaknesses must be removed first. With so many middlemen in the industry the finished batek must go through many changes of ownership before it finally reaches the consumers. If a middle-man acts as wholesaler then it means at least three changes in ownership and each change adds to the price at which batek is sold to the consumer. These additions to distribution costs mean the printers must keep their selling price as low as possible. The high price born by the consumers does not accrue to the producers but is absorbed by the middle-man.

Another problem created by middle-man is the indebtedness of 60% of the batek producers. Total debts in the industry are about \$123,000 for the supply of working capital and factory capital costs. They are advances made by the middle-men. In Kota Bahru 44 of the printers were in debt ranging from \$1,000 each to \$20,000.

As far as the purchase of raw materials (bleached white cloth) is concerned, competition from R. I. D. A. 's supplies has stabilizing effects on the price and pegged it within a fair range. To eliminate and replace the role of the middle-men the Authority is assisting the printers with marketing services and exploring new markets through the Small Industries Services Institute. It conducts market research to establish the weakness of the present system and devices solution for improvement. However, in order to expand the markets and facilitate marketing, improvement in quality is necessary. There should be more variety in the designs of batek to give more appeal. The dyeing services offered by the Textile Centre in Kuala Trengganu will help to bring better dyeing techniques and effectiveness of the colour. Consistency of quality must be accomplished to win the confidence of consumers. One reason for the present low quality is haste leading to neglect for quality, in order to grasp quick returns.

The Institute is presently performing useful services for the producers. Finished batek is displayed in various centres such as the R. I. D. A. display centre in Petaling Jaya, Singapore Airport and also in departmental shops like Robinson & Co. The Institute also carries stock of batek thus relieving the producers of having their capital tied down in the form of inventory.

The technical division of the Institute though not very active at present helps to solve many technical problems that arises. For example many processes like the printing of wax designs on the cambric, and the dyeing of the cambric may be mechanised to save labour costs. In an instance it was found that a producer purchased a heavy steam rollers for calendering, but due to its complexity no one

knows how to use it. In such circumstance the technical division can be very helpful and prevent the machine from lying idle and its depreciation.

The financial help given by the Institute should also help the producers to overcome many of its financial difficulties. First of all capital loans are available from R. I. D. A. at a fair rate of interest to finance sound economic undertaking. This will relieve the batek producers who in the past have to rely on the capitalist middle-men for working capital and capital equipments. With the loan available, the producer is independent of the restrictive control. The hire-purchase system is also open to the printer under the recommendation of the Institute so that the producer can have possession of the required equipment earlier on payment of a proportionate deposit. Transfer of ownership is made when the last instalment is settled.

R. I. D. A. also has trading accounts for the purchase and stocking of finished batek and other finished products turned out by the other small industries. These trading accounts are settled from the proceeds of sale made by the Institute in its wholesaling and retailing capacity. Though these trading accounts are pegged by an authorised limit it can be increased as goods of better standard and higher quality are available in greater quantity.

Conclusion :

The activities of R. I. D. A. are directed to improve the economic conditions of the rural people and the development of the handloom and batek industries is not an end in itself. It is a means to increase the income of the rural people thereby raising the standard of living. There are many ways by which this end can be attained. Increased production is a means to this end but it should be noted that the increased returns through higher production could accrue to the producers. The development of these two industries is to a great extent dependent on the removal of the middlemen whose existence or survival characterises the weakness present in the industries. They absorb a great part of the rural people's income thus hindering the improvement of the industries.

The rural producers are susceptible to exploitation by the monopolist-monopsonist middlemen because they have little capital resources and as such their production unit is small. Under such conditions their bargaining power is weakened in the purchase of raw materials and in the sale of finished products. Therefore, they rely on the middlemen who have abundant capital resources and good business connections for the supply of raw materials at high price and thus the producers are financially indebted. Consequently they are obliged to permit the middlemen to market their finished product. This is harmful because they may demand a fixed proportion of the proceeds. If this happens any improvement in quality and market value accrues to the middlemen and it will kill any incentive to improve quality or production. Therefore the role of the middlemen must be eliminated to insure the success of any effective development programmes.

In the Handloom industry, the formation of weavers' co-operative to take over the supply and marketing function of the whole industry under the assistance of R. I. D. A. will be a solution. A co-operative will effectively replace the services of the middlemen. Though initially there are numerous difficulties like poverty of the people and their general illiteracy, but R. I. D. A. can assist in the organisation and allocation of resources to guide such a programme. After some time the weavers themselves will be able to manage their own affairs, import raw materials, distribute them to member, undertake credit management and provide for a nation-wide distribution and marketing system.

Likewise the batek producers can pool their resources together for the formation of co-operative for their own economic betterment which will help boost the prosperity of the industry.

To increase general production the need for co-ordination of action cannot be overlooked. It is essential to examine the market for the product made to assess the quantity that can be absorbed, the quality of the product (so that it is adapted to the needs and prejudice of the consumers), the design and price.