

The Mararikulam Experiment:

Women-Owned Cooperatives Are the Key Elements of A People's Alternative to Corporate Dominated Globalization in India's Kerala State

By Richard W. Franke

In Kerala State, India, a promising development project is underway to create a democratically managed local economy that can bring households out of poverty while resisting some of the most harmful elements of globalization. Its planners and activists call it “The Mararikulam Experiment.”

The main components of the Mararikulam experiment are 1,500 “neighborhood groups” (NHGs) made up of 20 to 40 women each. The project is transforming these groups into worker-owned cooperatives producing items for sale in the local economy using local materials. The project goal is to generate up to 20,000 jobs paying enough to bring the households above the local poverty line. Because the cooperatives are owned and managed by the women workers, all the surplus can be distributed as wages and benefits or can be reinvested for product improvement or other company costs. By being worker owned, the cooperatives are automatically locally owned. The members can see their purpose as generating wealth in their neighborhoods even if profit rates are below those of some private companies.

Where Is Mararikulam?

Mararikulam is a state legislative assembly district along the coast of central Kerala. The area is made up of 8 villages and two towns comprising a population of 272,000, 60% of whom live below the locally established poverty line of 23,000 rupees, about \$480 per year. Mararikulam is the poorest area of Kerala, but literacy rates are above 90%; infant mortality is below 20 per thousand; and life expectancy runs above 70 years.

The area contains mostly sandy soils on which vegetables grow well. Fishing and coconut production are the main sources of income and the area is well known for its “coir” or coconut fiber products that have sold in international markets for two centuries as ship ropes and doormats. The workers who rhot (rot and separate) the coconut fiber, spin it into yarn and weave it into fabrics are among the poorest paid in all of Kerala. It is these impoverished workers and the fishing and vegetable producing households towards whom the Mararikulam Experiment is directed.

Microcredit and Development: The Grameen Bank Experiment

The first step in creating wealth-producing cooperatives is to organize people to generate capital. The NHGs began forming in 1998 and 1999 during the Kerala People's Campaign for Decentralized Planning.¹ At first the groups functioned to promote democratic and transparent spending decisions about public funds devolved to the local communities during the campaign. The NHGs meet weekly, usually on Sunday afternoon and attendance averaged above 90% for most groups. By 1999 and 2000, some NHGs

began collecting “thrift,” small weekly or monthly individual deposits that were used for emergency loans to NHG members. From these thrift collections, it became apparent that even Mararikulam’s very poor households could generate amounts of capital adequate to start up small businesses.

The thrift collection is reminiscent of the famous Grameen (Village) Bank of Bangladesh. Invented in 1976 by economics professor Muhammed Yunus, the Grameen Bank made loans of \$50 or less to poor households. In place of collateral, these “microcredit” disbursements were guaranteed through social pressure: loans were made to individuals but in repayment groups of 5 persons. No individual could get a second loan until all five group members had repaid the first loan.

The Grameen Bank has been pronounced a great success. Loan payback rates have run at 97% and by 1999, 56 countries had developed microcredit programs lending to 24 million poverty-level households.² Microcredit appears to be a boon to the poor: in Bangladesh the Grameen Bank lends at 25% interest while private moneylenders charge up to 200%.

But microcredit is more problematical than appears at first. The emphasis on payback rates reflects a bureaucratic and outsider bias that may be hiding shortcomings in the program. In a detailed village study in Bangladesh, anthropologist Aminur Rahman found that borrowers were often using second loans to repay first loans. Most loans were not being used for the purpose for which the papers had been signed. Male bank bureaucrats, the women’s husbands, and brothers, were coercing them into borrowing and then taking the money from them. Violence against women increased with Grameen Bank’s presence as male relatives used their physical prowess to intimidate the women into taking more loans. Borrower households were not emerging from poverty.³

Microcredit and Local Democracy: Beyond the Grameen Bank

Despite its shortcomings, the Grameen Bank represents an important step forward in creating a people’s alternative to corporate dominated globalization. Designers of the Mararikulam Experiment have developed a strategy to correct the shortcomings and push the Grameen Bank idea further towards its stated goal of lifting households out of poverty. In Mararikulam, the entire lending structure is managed and controlled by the elected committees of the women’s NHGs themselves: no outside bank bureaucracy dominates the borrowing process. Decisions about loans and repayments are made in the public Sunday afternoon meetings. Women whose male relatives might try to coerce them will – it is hoped – find a forum in these meetings to generate community pressure to stop the behavior.

Most importantly in terms of poverty alleviation, the Mararikulam thrift collections are held by groups of 20 to 40 women who can transform themselves into income producing units through the mechanisms of the project. In the Bangladesh Grameen Bank, the borrowers were united only in terms of repaying the loans; they had no other generic links to each other.

How much capital can poor people generate? Our survey of 798 NHGs in 2001 found that 17,000 women had saved \$6.94 per capita for a total investment pool of 5.4 million rupees. One year later our survey of 1,137 groups found \$13.40 per capita and a total capital pool of 15 million rupees. Including links to local cooperative banks, the

local NHGs had access to 27 million rupees, enough to start up several local production cooperatives.

Starting with Soap

But what to produce? Invest the collected thrift in what? Here expert assistance was required. Fifty veterans of the 1996–2001 People’s Campaign volunteered to provide unpaid support to the NHGs to move from credit association to production cooperative. The first industry is local soap production. Sixteen NHGs were selected through the local village assemblies, two in each village, to become local soap producing cooperatives. NHG thrift was supplemented by village subsidies to spur the process. The Integrated Rural Technology Center (IRTC) in Kerala, a research institution of progressive scientists, came forward with soap producing technology kits and training began. By May 2002, all 16 units were producing several batches of soap per week.

Soap is an ideal product for the microcredit cooperatives. Kerala’s people use more soap per capita than in the rest of India. Most soaps are 90% or more coconut oil, a product abundantly available in Mararikulam. The technology of soap making is quite simple: basically the soap makers heat the coconut oil and stir in caustic soda (sodium hydroxide) along with any coloring and fragrancings agents. The “saponified” oil is poured into IRTC-manufactured molds and left to harden. In one hour, a team of women can produce several molds full of soap. At full production, planners estimate that each unit can produce 600 bars of soap per day. This is the amount thought to be appropriate for the local area market. Other members of the NHG can go house to house to sell the product. No advertising or packaging is needed. The price is at or below multinational soaps. According to planners’ projections, when full production is reached sometime in 2003, 300 households will earn enough to pull above the poverty line.

Equally important: the purchase of local coconut oil will keep the rupees circulating in the local agricultural economy – a backward linkage – while sales to local consumers also keep the rupees circulating locally if the soap producers can buy other local products. This maximizes the “multiplier effect” of the money being spent throughout the production and consumption process, generating additional jobs and creating additional local incomes.

Politics as Economics: The Mararikulam Soap Pledge

Selling local soap depends on consumer preferences. These are often manipulated by large corporations with big advertizing budgets (ultimately paid for by the consumers of course). At Mararikulam, political consciousness replaces corporate ads: the NHG meetings become settings to explain the multiplier effect and develop consumer loyalty to products made by one’s neighbors. But the project has done even more. On 11 May 2002, 30,000 women gathered at the soccer field of Saint Michael’s College in Mararikulam. There they took the “Mari Soap Pledge” as a conscious act of resistance to corporate dominated globalization and an affirmation of the self-reliance concept of Mahatma Gandhi. Led by Kerala feminist novelist Sara Joseph, they pledged “to use only Mari soap...[and to] create a new model of sustainable development.”⁴ This massive public statement of product allegiance was a form of political education for the entire region and will aid in the selling of other products that are part of the experiment.

Going to Scale: A Big Federation of Small Cooperatives

Beyond soap, what can be produced? The second stage of the experiment involves school notebooks, school bags and kits, and umbrellas. This stage is already underway in 2003. More ambitious is the third stage in which Mararikulam's rich food producing potential will be developed. Here three major areas will be developed. The sandy soils of the region have traditionally supported large vegetable harvests. These harvests will be increased with fertilizer made from the garbage of local towns, using a worm process to speed the fertilizer composting. The vegetables grown with these techniques will be made into ready-to-cook packets for sale in local and regional markets. Second, the more than 5,000 small ponds of Mararikulam that were previously used only for watering coconut trees, will be seeded with fish that can also be processed into ready-to-cook packets. Third, the major ocean catch of fish, shrimp, and mussels will also be processed. Mari cleaned fish and ready-to-cook shrimp packets will join the Mari soap in the local market, but the amount of seafood is so large potentially that broader marketing is envisioned. A couple of seafood restaurants are also planned along India's National Highway 47 that runs through the area, bringing large numbers of buses and trucks as well as private automobile traffic.

The processing will take place in "cluster centers," small rural industrial parks designed two to each village, to make the minimum environmental impact while generating employment in clean, worker-friendly surroundings. As the hundreds of NHGs evolve into production units, each will join one of these cluster centers, either working there physically, or using the center for marketing or raw materials procurement.

In addition, 16 "common facilities centers" will be constructed to service some of the production units such as soap making where the work can be done at a member's home. As of November 2002, the first such center had already begun operation.

The common facilities and cluster centers will be operated by a single large cooperative responsible for overall financial management, large-scale raw materials purchase, and packaging and marketing to meet requirements both within and outside the Mararikulam area. This central cooperative will be owned by the NHG production cooperatives. The model here is similar to the famous Mondragón cooperative network in Spain and Kerala's own Dinesh Beedi cooperative in which the central cooperative has played an instructive role. The central cooperative will be ultimately controlled by the votes of the NHG owner-members, but it will also hire professional, skilled management as needed to compete in regional and national marketing and raw materials purchase.⁵

Empowering Women, Maintaining the Environment: The Mararikulam Approach

The Mararikulam Experiment is not just about production. The use of cooperatives as the units of production is closely tied to the overall philosophy of equality and democracy. The emphasis on women's NHGs derives from the fact that women are the most likely not to be employed beyond housework. Since their husbands already do low paid work in fishing, agriculture, or coir making, adding income to the women's part of the household membership is the key to propelling their households above the poverty line.

The emphasis on women's employment has another goal: bringing about greater gender equality in a way that benefits male household members rather than threatening

them. To the extent the project succeeds in generating employment, everyone gains from women's empowerment.

Mararikulam planners have also considered the ecological aspects of the project. Rather than an add-on, ecological planning is built right into the Mararikulam Experiment. We noted above the refurbishing of the household ponds for upgrading to fish breeding centers. We also noted the use of recycled urban waste to fertilize the vegetable fields. The ocean shoreline will also receive a major ecological upgrade with dune grass beach erosion protection and the placement of "People's artificial reefs" at selected sites a few kilometers out to sea where fish can breed. These reefs have shown great promise in other parts of South India for stimulating fish populations without causing other apparent negative effects.⁶

Another major ecological innovation is the use of rainwater harvesting at the common facilities and cluster centers. During the Kerala People's Campaign, some villages in other areas invented means of capturing rainwater from corrugated iron and tile roofs, channeling it to holding tanks, and purifying it through sand filters.⁷ With Mararikulam's water table always somewhat exposed to salinization, the rainwater harvesting will ensure clean drinking water for the production workers and for food processing and other necessities at the centers.

Can It Succeed?

A project this vast and ambitious will undoubtedly experience a gap between the grand plans of the organizers and the reality that emerges. But Mararikulam has several advantages that augur well for the success of the project. The area has a long and solid history of left activism including the formation of trade unions and cooperatives. Many experienced activists are available in all the villages to help guide the project to completion. During the 1996–2001 People's Campaign, the Mararikulam villages exhibited a high degree of voluntary action and high local government competence and honesty. The social networks and experience are there to combine with the energy and expertise of the outside supporters. The original plans envisioned the local beneficiaries and local governments providing 42% of the total funding required, and already this goal has been achieved. In addition, the ILO, UNDP, Kerala-based Centre for Development Studies, and the Indian central governments have awarded grants to cover certain infrastructure and research costs that would be difficult to raise locally. The NHGs have shown an outstanding ability to function effectively over three years of growth and expanding activities. A few of the outside volunteer experts have begun coming every weekend or for even longer stays. A couple of us outsiders are monitoring the project and plan to write a detailed history.

Democracy and Equality versus Corporate Dominated Globalization

Why is the Mararikulam Experiment an alternative to corporate dominated globalization? If successful, the project will

1. show that poor people in the 3rd world can generate significant economic growth without international corporate investment;
2. create an economy with substantial resistance barriers to corporate domination: the soap production and many other products will generate jobs that are insulated from

multinational corporate practices of moving into a region and then leaving to escape upward wage pressures;

3. make more efficient use of local raw materials than would a vertically integrated international corporate production process;
4. reinforce local democracy, participation, and empowerment of ordinary people. The goals of the Mararikulam Experiment include developing an economy that is egalitarian and a political structure that allows for the greatest possible democratic participation of workers and consumers in designing their own products.
5. provide an example to others of the power of cooperatives as engines of economic growth and development that simultaneously promote social justice and support communities.

Want to Know More?

For further information and regular updates on the progress of the Mararikulam Experiment:

<http://www.mararidevelopment.org>

The mararidevelopment web page includes access to 13 detailed papers on various technical, environmental, and social aspects of the experiment, along with many photographs. Or, contact Richard W. Franke: franker@mail.montclair.edu

Global Exchange runs annual reality tours to Kerala. These tours now include two to three days in Mararikulam with politically informed English-speaking guides. The next tour will run from 16 to 30 November 2003. For further information:

<http://www.globalexchange.org/tours/147.html>

Notes

¹ A detailed account of the campaign appears in Thomas Isaac, T. M., and Richard W. Franke. 2002. *Local Democracy and Development: The Kerala People's Campaign for Decentralized Planning*. Boulder CO: Westview Press.

² Gardner, Gary. 2001. Microcredit expanding rapidly. In Worldwatch Institute. *Vital Signs 2001: The Trends That Are Shaping Our Future*. New York: W. W. Norton and Company. Pp. 110–11.

³ Rahman, Aminur. 1999. *Women and Microcredit in Rural Bangladesh: An Anthropological Study of Grameen Bank Lending*. Boulder CO: Westview Press. See esp. pp. 21 and 106–7.

⁴ The complete text of the Mari soap pledge is available in both Malayalam and English on the Mararikulam Experiment web site: <http://www.mararidevelopment.org>

⁵ On Mondragón, Whyte, William F., and Kathleen K. Whyte. 1988. *Making Mondragón: The Growth and Dynamics of the Worker Cooperative Complex*. Report No. 14. Ithaca, NY: Industrial and Labor Relations Press, Cornell University. On Kerala Dinesh Beedi, Thomas Isaac, T. M., Richard W. Franke, and Pyaralal Raghavan. 1998. *Democracy at Work in an Indian Industrial Cooperative: The Story of Kerala Dinesh Beedi*. Ithaca: Cornell University Press.

⁶ Kurien, John. 1995. Collective Action for Common Property Resource Rejuvenation: The Case of People's Artificial Reefs in Kerala State, India. *Human Organization* 54(2):160–68.

⁷ A technical report on the Chellanam Village rainwater harvesting system was presented to the Kerala State Planning Board in 1999 and was published as part of the Malayalam language proceedings of the May 2000 International Conference on Democratic Decentralization, held in Thiruvananthapuram. The authors are N. Ramakanthan, P. S. Gopinathan, and V. T. Sebastian.