

## ECONOMIC PERFORMANCE OF APHDC: AN EMPIRICAL STUDY

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### ABSTRACT

Andhra Pradesh is the land of myriad arts and crafts, each unique in artistry, concept, style, forms, expression and execution, the attributes that make the State. Andhra Pradesh is one of the oldest civilizations with rich cultural opulence. Andhra Pradesh arts and crafts are much known for their beautiful aesthetic and utilitarian value. Andhra Pradesh have a famous handicraft centers to provide beautiful handmade items Today, the craft traditions of the Andhra Pradesh state have flourished into full-fledged industries in themselves. This paper finds out the Economic Growth and Organizational performance of Andhra Pradesh Development Corporation. We have taken overall handicrafts; artisans are associated with the APHDC. We have used the secondary data in this study. From our study we find, from 2007-12 the economic and sales performance is not up to the mark. The total handicrafts business is controlled by the APHDC and its Associated Organizations. The Economic Performance is depending upon sales and marketing of handicrafts. In this connection this paper was disclosed that the APHDC growth rate of income, Expenditure and Net Profit.

**KEYWORDS:** Cottage Industries, Handicrafts, Artisans, Employment, Marketing, Industries

### INTRODUCTION

A quarter century back in 1982 the Andhra Pradesh Handicrafts Corporation was set up exclusively to pay attention to the development, promotion and marketing of artistic handicrafts and preservation of its cultural heritage and traditional character. The corporation imparts training in the crafts to boost the production of certain works of art that are in demand and also to help revive certain languishing crafts. Design and technical inputs are also given to the craftsmen keeping in mind the changing tastes and trends. The products are then marketed through a net work of Lepakshi handicraft emporia. The corporation develops, promotes and markets arts and crafts of the state also by way of Expos, craft Bazaars, Exhibitions, Melas etc., Lepakshi the well known temple of Andhra Pradesh is a repository of stone sculpture and frescoes of a high order that was attained during the Vijayanagar period. The name Lepakshi has thus been chosen aptly by the Andhra Pradesh Handicrafts Development Corporation limited. Lepakshi emporia have projected the artistry and elegance of Andhra Pradesh and have created an indelible imprint on the minds of handicraft lovers with in the country and abroad. Each region of India abounds in handicrafts reflecting the genius of its local craftsmen. Andhra Pradesh has the distinction of having all important categories of handicrafts practiced in their traditional locations spread over different parts of the State. Today, the complex silver wire craft filigree, silver inlay Bidriware, Budithi utensils, embossed sheet metal ware Pembarti, Dokra, Bronze cast icons, stone carving, wooden figurines, intricately carved wooden panels, Cherial paintings depicting mythological events, Kalamkari cloth paintings, Nirmal paintings, ornamented furniture, Leather puppets, Lamp shades wall hangings, Kondapalli toys and Etikoppaka objects painted with natural stick lacquer famous ikat cloth and artistic textiles are not just pieces of handicraft heritage, each of these has a distinct identity with its origins located in culture, tradition lifestyle and resources of the region of its genesis.

## History of APHDC

Andhra Pradesh is a treasure-trove of a fascinating range of art forms and traditional crafts, each unique in style, theme, concept, form and expression. These crafts and arts have displayed innate flexibility and durability without exception, in spite of their being centuries old. Though the craftsmanship has received much appreciation from different parts of the world, the artisans could not market their products. Therefore, many art forms in the State almost lapsed into oblivion. It was against this background that the State stepped in to salvage its rich traditional forms and create a livelihood for the artisans.

Accordingly, the Government of Andhra Pradesh, under the Commissioner of Industries, started marketing handicrafts produced by the artisans through the “Government Cottage Industries Emporia”. Later, these Government Emporia were transferred to the AP State Trading Corporation Limited (APSTC) in the year 1973. All the emporia were managed by the APSTC and marketed Handicrafts produced in Andhra Pradesh.

Subsequently, in order to pay a special attention to the Handicrafts Sector of AP, a separate

Corporation by name “AP Handicrafts Development Corporation Limited (APHDC)” was formed in the year 1982, with an objective to look after the development, promotion and marketing of handicrafts produced in Andhra Pradesh. The handicrafts of AP were then marketed through a network of APHDC show rooms named as “*Lepakshi Handicrafts Emporia*”. The name Lepakshi was chosen aptly by APHDC, as the word “Lepakshi” represents the well-known temple town in Andhra Pradesh, which is a repository of stone sculpture and frescoes of a high order that was attained during the Vijayanagar period. Thus, Lepakshi Emporia projected and promoted the artistry and elegance of Andhra Pradesh and created an indelible imprint on the minds of handicraft lovers within the Country and abroad.

APHDC was set up with share capital of Rs 150 Lakhs from the Government of Andhra

Pradesh and that of Rs 50 Lakhs from Government of India with the following objectives:

- Develop and promote handicrafts;
- Undertake marketing of handicrafts;
- Promote and establish showrooms, organize exhibitions, cause wide publicity of Handicrafts and
- Undertake welfare activities for the benefit of the artisans.2-13 to 2016-17) Organization Profile

However, the efforts of the Corporation in fulfilling the objectives have been on a limited scale depending on the availability of funds and sanctions received from the Government of India from time to time

## Commercial Activities of APHDC

Andhra Pradesh Handicrafts Development Corporation Ltd (APHDC) is involved in procurement and marketing of handicrafts and handlooms in Andhra Pradesh, through its popularly known brand name of ‘*Lepakshi*’. Lepakshi sells several items belonging to the state of AP and also those of many other state crafts.

The sales of APHDC basically come from the following three channels.

### Showroom Sales

This is the retail sales of Lepakshi Handicraft Emporia and is the main segment of sale. This segment also

provides more profits to the organization than the other segments. These emporia provide the main marketing platform for the artisans as their stock is merchandized in an attractive manner so as to invite the attention of the customers. Customers directly walk into these emporia and buy the handicraft / handloom items they like. Based on demand, these emporia also sell the products of the other states. The Corporation maintains suitable profit margins to cover the establishment and other expenditure. This segment contributed majorly in creating a tremendous value for the brand “Lepakshi”. It can be observed that this segment contributes more than 50% in the overall annual sales turnover of APHDC.

### Exhibition Sales

These sales are generated from the exhibitions conducted at various places by Lepakshi. There are basically two kinds of exhibitions conducted by APHDC viz. those conducted out of its own funds and those conducted based on the grants given by the Development Commissioner –Handicrafts (DCH), Ministry of Textiles, Govt. of India, and New Delhi. The corporation’s own exhibitions are planned at the beginning of the year based on the performance and experiences of the previous year and conducted as per planned schedules. Coming to the DCH Exhibitions, based on the proposals of APHDC, the DCH sanctions funds (grant-in-aid) for organizing craft bazaars, Gandhi Shilp Bazaars, Sourcing Shows and Exhibitions. Artisans belonging to various crafts directly participate in these exhibitions and sell their products. The main purpose of these exhibitions is to promote and publicize the crafts and but not to earn profits. Therefore, APHDC gets lesser profits in this segment of sale.

### Institutional Sales

These are the sales coming from execution of bulk orders from the various Govt. institutions.

Generally, non-handicraft and non-handloom items are sold through these orders. Since Lepakshi is a trusted brand in addition to being a Government of AP PSU, many Govt. departments and PSUs prefer to deal with APHDC for their procurement needs. But, these Institutional Sales are highly fluctuating and solely dependent on the requirements of the departments and their budgets. Therefore, the sales APHDC is getting from this channel cannot be maneuvered into a desirable trend.

### Sales Performance (2007-08 to 2011-12)

The sales performance of the organization for the last five years (2007-08 to 2011-12) is depicted below. For the years 2007-08 to 2010-11, actual sales have been taken. For the year 2011-12, actual sales have been taken till date and for the remaining months of the year, sales projections have been taken.

Type of Sales	Annual Sales Turnover (Rs. in Lakhs)					
	2007-08	2008-09	2009-10	2010-11	2011-12 (Estimated)	Average Annual Sales Turnover
Showroom	2589	2852	3175	3527	3875	<b>3204</b>
Exhibition	1434	1669	1843	2155	2400	<b>1900</b>
Institutional	1110	977	1428	1076	1225	<b>1163</b>
<b>Total</b>	<b>5133</b>	<b>5498</b>	<b>6446</b>	<b>6758</b>	<b>7500</b>	<b>6267</b>

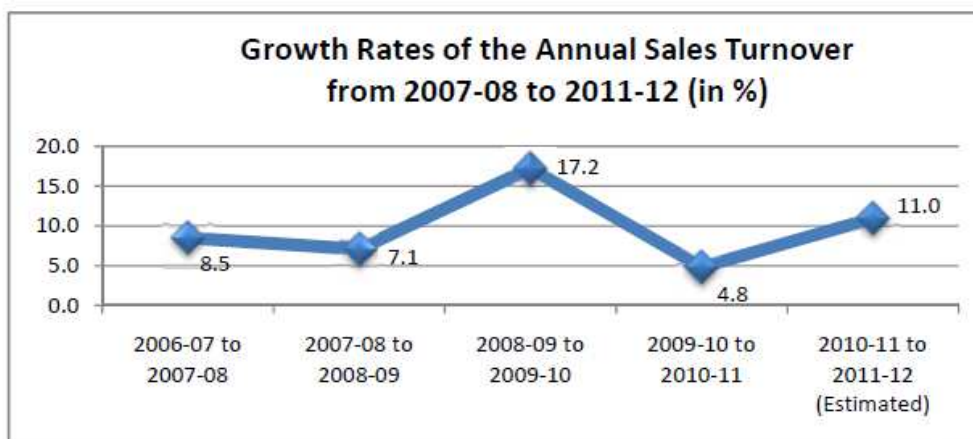
The data above is presented graphically below, to understand the sales figures better.



From the above data, it can be seen that the annual sales turnover of APHDC has been growing progressively in the last five years. The growth rate of the annual sales turnover is given in the table below.

Type of Sales	Growth rate in %					Average Annual Growth Rate
	2007-08	2008-09	2009-10	2010-11	2011-12 (Estimated)	
Showroom	7.6	10.2	11.3	11.1	9.9	<b>10.0</b>
Exhibition	-1.8	16.4	10.4	16.9	11.4	<b>10.7</b>
Institutional	28.5	-12.0	46.2	-24.6	13.8	<b>10.4</b>
<b>Annual Averages</b>	<b>8.5</b>	<b>7.1</b>	<b>17.2</b>	<b>4.8</b>	<b>11.0</b>	<b>9.7</b>

The growth rates of the annual sales turnover are depicted graphically below.



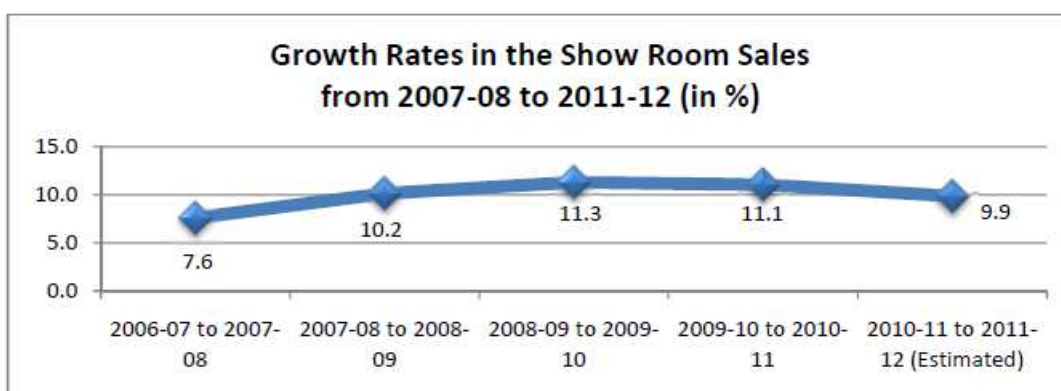
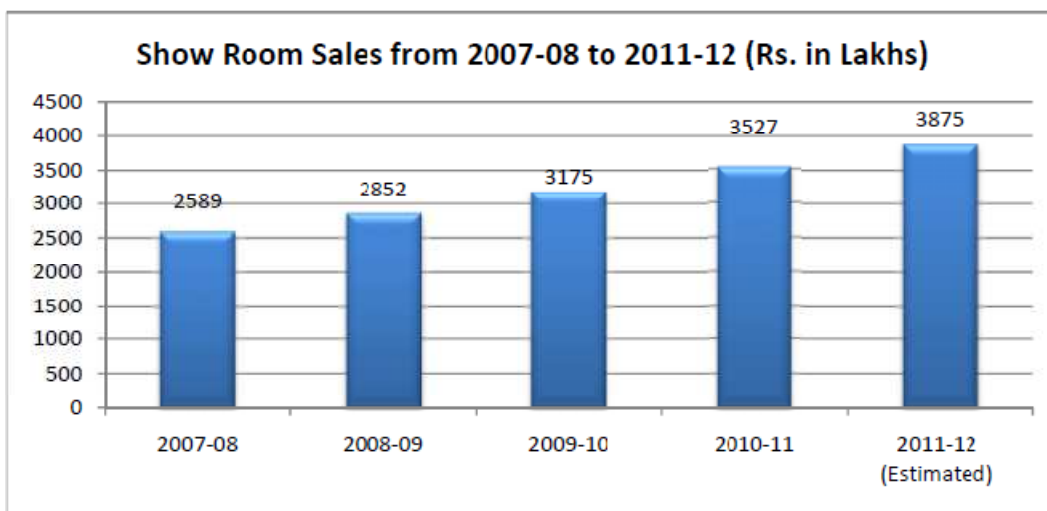
It can be seen from the above data that, though there are fluctuations in the graph, the average growth rate in the last five years has managed to be is an impressive 9.7%. The growth rate shot up by 17.2% in the year 2009-10 because of the huge and unexpected institutional sales orders (which itself registered a steep growth rate of 46.2%) and the same went down to 4.8% in 2010-11, which is again because of a big drop in institutional sales orders (which itself registered a negative growth of -24.6%). In the present year, it is estimated that the growth rate will be at 11%, with the estimated institutional sales growth rate coming back to the positive side of the graph with a 13.8%. Even if it is considered that the

steep growth rate in 2009-10 is a stroke of luck, the average growth rate of the other years stands to be about 8%. Overall, it can be observed that, in spite of the effect of the highly fluctuating Institutional Sales, the average growth rate has managed to be nearly 10%, which is good enough – considering the nature of handicrafts business.

**Showroom Sales**

With respect to the Showroom Sales, the performance is given below.

Parameter	2007-08	2008-09	2009-10	2010-11	2011-12 (Estimated)	Average
Annual Showroom Sales Turnover (Rs. In Lakhs)	2589	2852	3175	3527	3875	3204
Annual Growth Rate in Showroom Sales (in %)	7.6	10.2	11.3	11.1	9.9	10.0

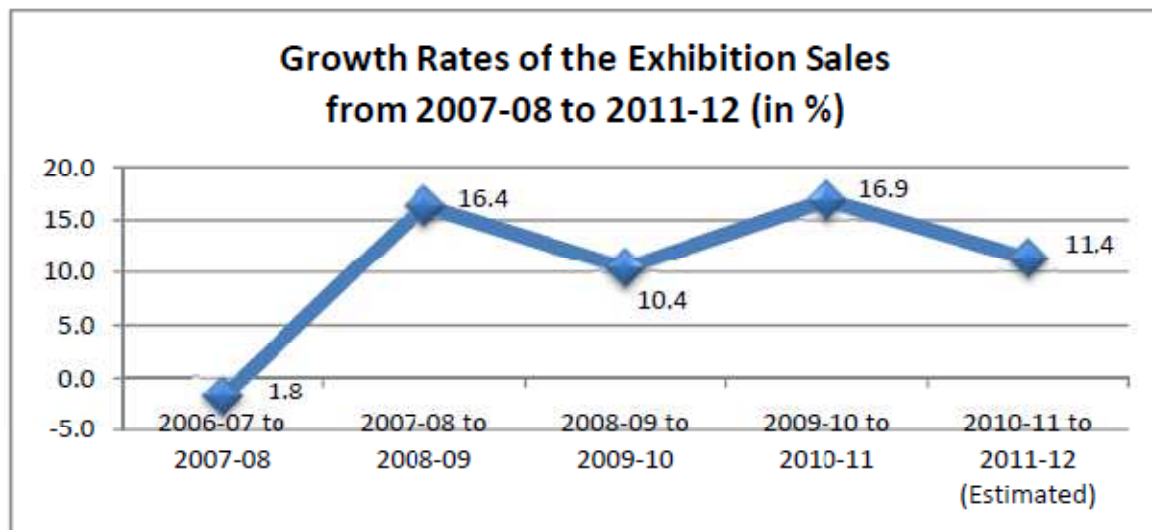
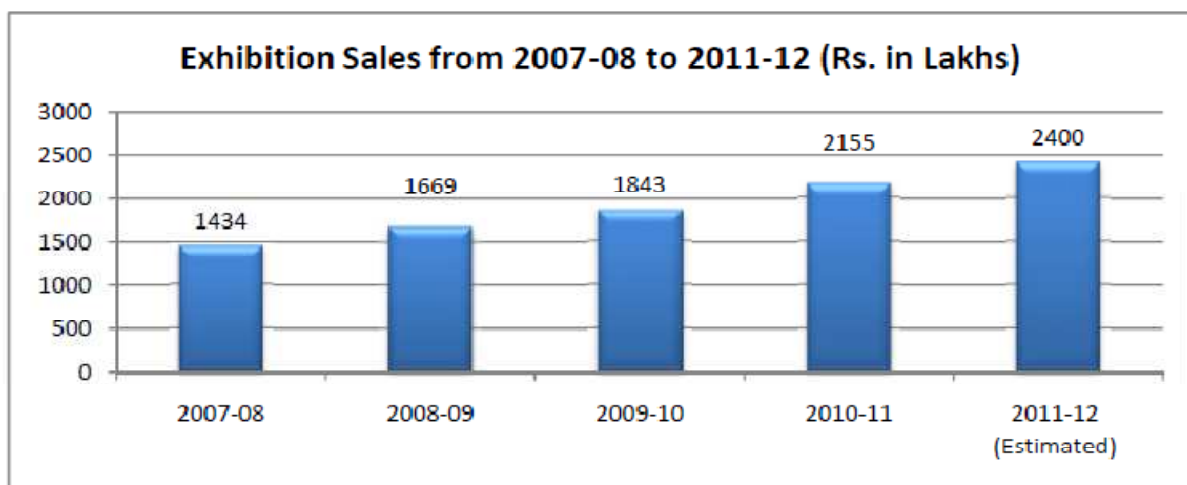


Considering the above data, it can be seen that the showroom sales have registered an impressive average annual turnover of Rs. 32.04 crores in the last five years with an impressive average annual growth rate of 10%. Though there are fluctuations in the graph above, they oscillated in the last four years between 9.9% and 11.3% only (just 1.4% variance) and there are no steep increases or decreases. Therefore, it can be stated that the showroom sales is well within the control limits of the corporation and is getting stabilized.

### Exhibition Sales

With respect to the Exhibition Sales, the performance is given below.

Parameter	2007-08	2008-09	2009-10	2010-11	2011-12 (Estimated)	Average
No. of Exhibitions Conducted	94	81	65	85	100	<b>85</b>
Annual Showroom Sales Turnover (Rs. In Lakhs)	1434	1669	1843	2155	2400	<b>1900</b>
Annual Growth Rate in Showroom Sales (in %)	-1.8	16.4	10.4	16.9	11.4	<b>10.7</b>

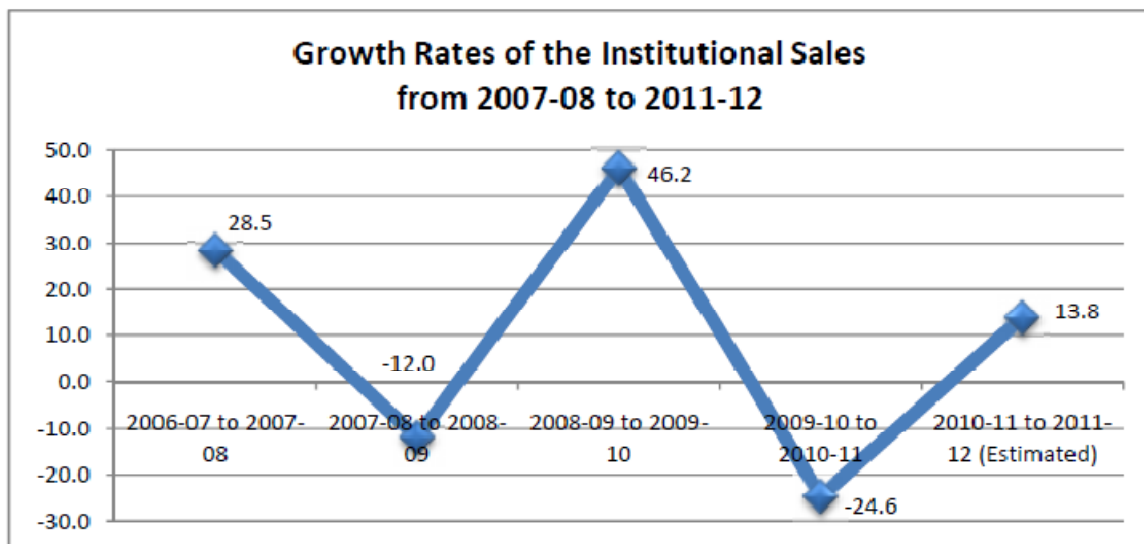
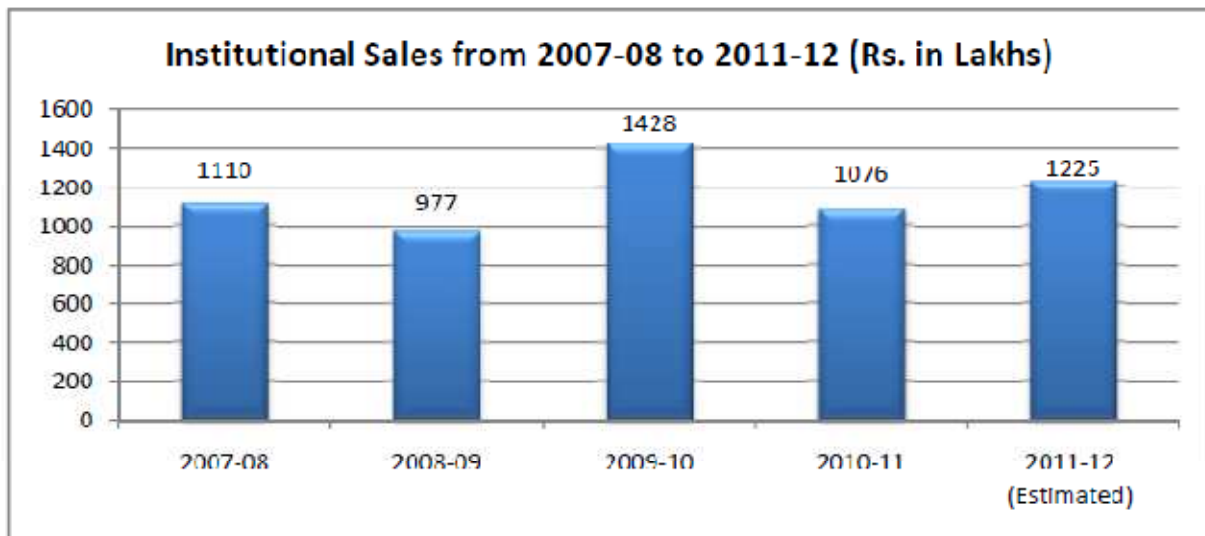


Considering the above data, it can be seen that the Exhibition Sales have registered an impressive average annual turnover of about Rs. 19 crores in the last five years with an average annual growth rate of about 10.7%. Though there are fluctuations in the graph above (oscillating between 10.4% to 16.9%, with a variance of 6.5%) they can be attributed to the contingent nature of the DCH grants.

### Institutional Sales

With respect to the Institutional Sales, the performance is given below.

Parameter	2007-08	2008-09	2009-10	2010-11	2011-12 (Estimated)	Average
Annual Institutional Sales Turnover (Rs. In Lakhs)	1110	977	1428	1076	1225	<b>1163</b>
Annual Growth Rate in Institutional Sales (in %)	28.5	-12.0	46.2	-24.6	13.8	<b>10.4</b>



Considering the above data, it can be seen that the Institutional Sales have registered an impressive average annual turnover of Rs. 11.63 crores in the last five years with an impressive average annual growth rate of 10.4%. The fluctuations in the graph above clearly indicate the very nature of the institutional sales, which is highly dependent on the requirements of the Govt. departments, which in turn depend upon their budget sanctions.

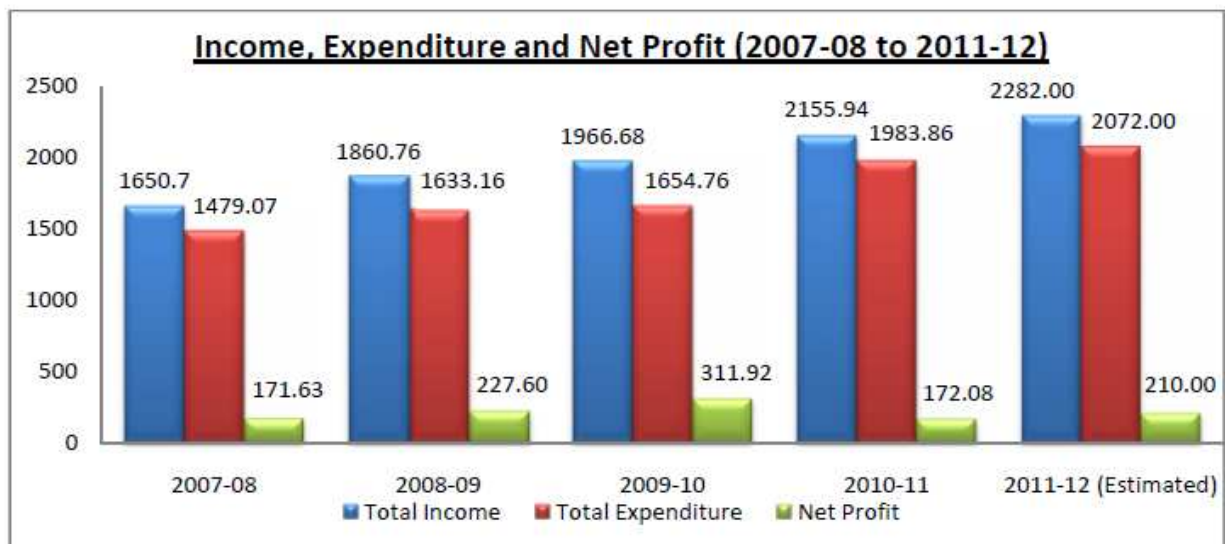


**Economic Performance (2007-08 to 2011-12):**

The economic performance of the APHDC in the last five years (2007-08 to 2011-12) is given in the table below.

S. No	Particulars	Rs. in Lakhs					
		2007-08	2008-09	2009-10	2010-11	2011-12 (Estimated)	Total
1	TURNOVER	5133.08	5498.20	6446.27	6758.34	500.00	31335.89
2	GROSS PROFIT	1364.74	1518.48	1760.57	1889.60	2155.00	8688.39
3	OTHER INCOME	285.96	342.28	206.11	266.34	127.00	1227.69
4	<b>TOTAL INCOME</b>	<b>1650.7</b>	<b>1860.76</b>	<b>1966.68</b>	<b>2155.94</b>	<b>2282.00</b>	<b>9916.08</b>
5	<b>TOTAL EXPENDITURE</b>	<b>1479.07</b>	<b>1633.16</b>	<b>1654.76</b>	<b>1983.86</b>	<b>2072.00</b>	<b>8822.85</b>
6	<b>NET PROFIT</b>	<b>171.63</b>	<b>227.60</b>	<b>311.92</b>	<b>172.08</b>	<b>210.00</b>	<b>1093.23</b>

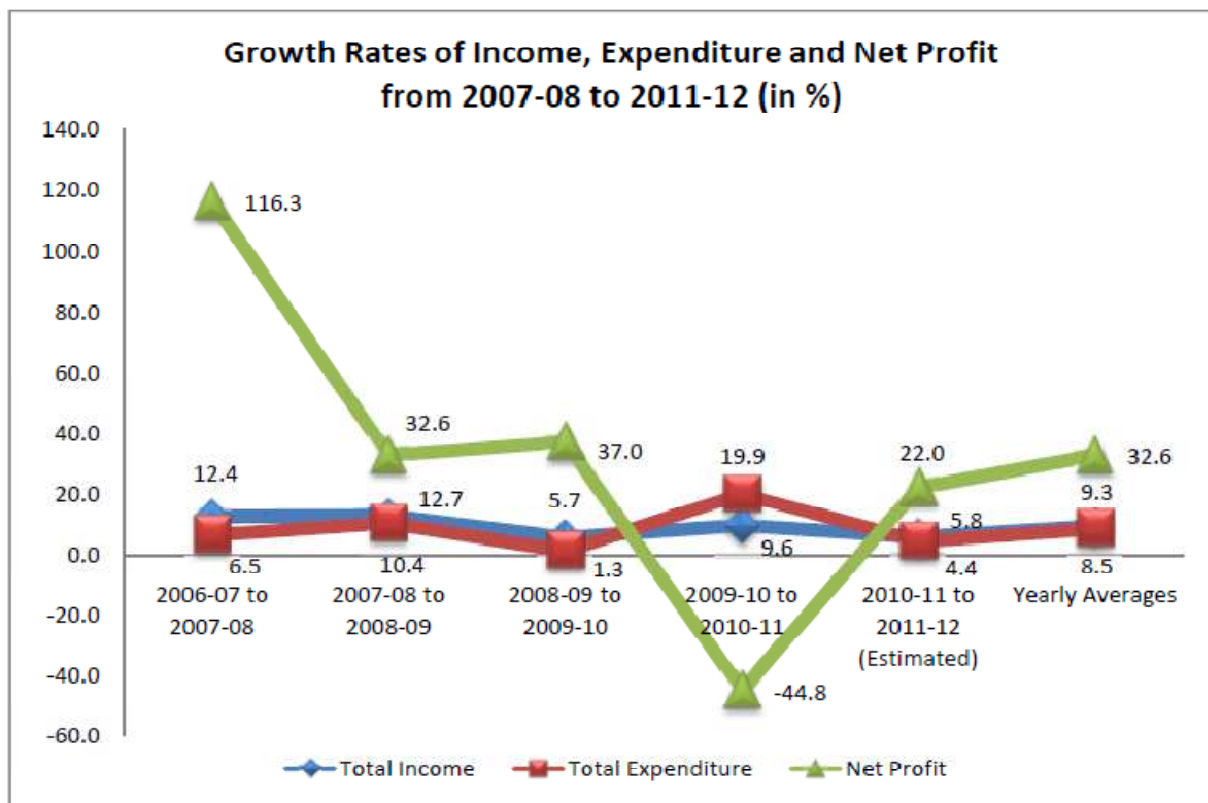
The Total Income, Total Expenditure and the Net Profit from the table above are represented in a graphical form below.



Considering the above, it can be seen that the corporation received an impressive Rs. 99.16 crores total income of in the past five years (Total Income consists of Gross Profit derived from the Annual Turnover and Other Incomes such as grants etc.). After deducting a Total Expenditure of Rs. 88.23 crores, the Net Profit is about Rs. 11 crores in the last five years. This shows that the average Net Profit per year has been a little over Rs. 2.0 crores. The growth rates of the Income, Expenditure and the Net Profit in the last five years are depicted in the following table.

Particulars	Growth rate in%					Average Annual Growth Rate
	2006-07 to 2007-08	2007-08 to 2008-09	2008-09 to 2009-10	2009-10 to 2010-11	2010-11 to 2011-12 (Estimate)	
<b>TOTAL INCOME</b>	12.4	12.7	5.7	9.6	5.8	9.3
<b>TOTAL EXPENDITURE</b>	6.5	10.4	1.3	19.9	4.4	8.5
<b>NET PROFIT</b>	116.3	32.6	37.0	-44.8	22.0	32.6





From the above, it can be seen that the net profit has registered a steep increase in the year 2007-08 when compared to that of 2006-07 (an enormous growth rate of 116%) because the MDA (Market Development Assistance) pertaining to the previous years was received in 2007-08 and hence the increase. Further, it can be seen that the average annual growth rate in the Total Income is 9.3% and that in the Total Expenditure is limited to 8.5%. The average annual growth rate in the Net Profit is an impressive 32.6% in the past five years. The negative growth seen above in the Expenditure in 2010-11 is because of the increase in the salaries of the employees as per the PRC-2010 recommendations and also the payment of arrears concerned. This negative growth is expected to be put on track in the current year with a positive growth rate of 22%. Overall, the economic performance of APHDC has been found to be noteworthy.

## CONCLUSIONS

The APHDC has actually come a long way in its journey. It was once upon a time in losses and almost on the verge of closure. But, it has turned around under the able leadership of thoughtful officers, who implemented certain creative measures in time. As a result, the corporation came out of its losses and started paying dividends to the State and Central Governments the corporation started doing more of its procurement through Consignment and Counter methods thereby minimizing its working capital investment. The “stores” concept has been eliminated and the stock is going directly to the sales counters after entry in the inventory management system. This has ensured optimum utilization of the showroom space. The stock is also merchandized artistically in the showrooms to attract the attention of the customers. Computerization is one of the strengths of the corporation. The Inventory, Sales, HR and Accounts functions are computerized in all the emporia, thereby reducing inefficient paperwork.

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